

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, 1998  
*Commission file number 1-3247*

### Corning Incorporated

One Riverfront Plaza, Corning, NY 14831  
607-974-9000

New York  
(State of  
incorporation)

16-0393470  
(I.R.S. employer identification no.)

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

Title of each class registered	Name of each exchange on which registered
Common Stock, \$0.50 par value, with attached Preferred Share Purchase Right	New York Stock Exchange

#### Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes x No

As of February 3, 1999, shares held by non-affiliates of Corning Incorporated had an aggregate market value of \$10,134,280,933. As of February 3, 1999, 231,577,256 shares of Corning's common stock were outstanding.

Documents incorporated by reference in this annual report:

Part III. Proxy Statement of the Registrant dated March 10, 1999 relating to the annual meeting of shareholders on April 29, 1999.

### PART I

#### Item 1. Business

## **General**

Corning traces its origins to a glass business established in 1851. The present corporation was incorporated in the State of New York in December 1936, and its name was changed from Corning Glass Works to Corning Incorporated on April 28, 1989.

Corning is a global, technology-based corporation which operates in three broadly based business segments: Telecommunications, Advanced Materials and Information Display.

The Telecommunications Segment produces optical fiber and cable, optical hardware and equipment and photonic components for the worldwide telecommunications industry.

The Advanced Materials Segment manufactures specialized products with unique properties for customer applications utilizing glass, glass ceramic and polymer technologies. Businesses within this segment include environmental products, science products, semiconductor materials and optical and lighting products.

The Information Display Segment manufactures glass panels and funnels for televisions and CRTs, projection video lens assemblies and liquid-crystal display glass for flat panel displays.

Corning and its subsidiaries manufacture products at 40 plants in 10 countries.

Additional discussion of Corning and each of its segments is discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, appearing on pages 5 through 14, and Note 3 (Information by Operating Segment) of the Notes to Consolidated Financial Statements appearing on pages 28 through 32.

## **Competition**

Corning competes across all of its product lines with many large and varied manufacturers, both domestic and foreign.

Competition within the Telecommunication Segment's primary products is intense among several significant companies. Corning represents an important market presence in the segment's principal product lines. Price and new product innovations are significant competitive factors.

Within the Advanced Materials Segment, Corning's principal products face competition from a variety of material manufacturers, some of which manufacture similar products made from materials other than glass and ceramics. Among other things, innovation, product quality, performance, and service are key competitive elements.

Competition is also intense in the Information Display Segment. Primary competitive influences include a worldwide surplus of glass in the conventional television business and increased competition in the Asian marketplace, which have recently resulted in a decline in prices.

Corning strives to maintain its market position through technology and product innovation. For the future, Corning's competitive advantage lies in its commitment to research and development, its financial resources, and its commitment to quality.

## **Raw Materials**

Corning's production of specialty glasses and related materials requires significant quantities of energy and batch materials.

Although energy shortages have not been a problem recently, Corning has achieved flexibility through important engineering changes to take advantage of the lowest-cost energy source in most significant processes. Specifically, Corning's principal manufacturing processes can now be operated with natural gas, propane, oil or electricity, or a combination of these energy sources.

As to resources (ores, minerals, and processed chemicals) required in manufacturing operations, availability appears to be adequate. Corning's suppliers from time to time may experience capacity limitations in their own operations, or may eliminate certain product lines; nevertheless, Corning believes it has adequate programs to ensure a reliable supply of batch chemicals and raw materials. For many products, Corning has alternative glass compositions that would allow operations to continue without interruption in the event of specific materials shortages.

## Patents and Trademarks

Inventions by members of Corning's research and engineering staff have been, and continue to be, important to the Company's growth. Patents have been granted on many of these inventions in the United States and other countries. Some of these patents have been licensed to other manufacturers, including Corning's associated companies. Many of the earlier patents have now expired.

Most of Corning's products are marketed under the following trademarks: Corning, Celcor, Costar, Fibergain, HPFS, LEAF, Pyrex, Steuben and Vycor. Subsidiaries and divisions of Corning frequently use their own trademarks.

## Protection of the Environment

Corning has a program to ensure that its facilities are in compliance with state, federal and foreign pollution-control regulations. This program resulted in capital and operating expenditures during the past several years. In order to maintain compliance with such regulations, capital expenditures for pollution control by continuing operations were approximately \$24.2 million in 1998 and are estimated to be \$14.6 million in 1999.

Corning's 1998 operating results from continuing operations were charged with approximately \$29.3 million for depreciation, maintenance, waste disposal, and other operating expenses associated with pollution control. The level of these costs is expected to increase slightly in 1999 due to depreciation costs associated with capital expenditures. Corning believes that its compliance program will not place it at a competitive disadvantage.

## Other

Additional information in response to Item I is found in Note 3 (Information by Operating Segment) of the Notes to Consolidated Financial Statements appearing on pages 28 through 32 and Five Years in Review - Historical Comparison appearing on pages 49 and 50.

Except as otherwise indicated by the context, the terms "Corning" or "Company" as used herein, mean Corning Incorporated and its consolidated subsidiaries.

## Item 2. Properties

Corning operates a total of 40 manufacturing plants and processing facilities, 25 of which are located in the United States. Corning owns substantially all of its executive and corporate buildings, which are located in Corning, New York. Corning also owns substantially all of its manufacturing and research and development facilities and more than half of its sales and administrative facilities.

During the last five years, Corning has invested \$2.6 billion in property, construction, expansion, and modernization for continuing operations. Of the \$713.6 million spent in 1998, \$37.4 million was spent on facilities outside the United States.

Manufacturing, sales and administrative, and research and development facilities at consolidated locations have an aggregate floor space of approximately 16.7 million square feet. Distribution of this total area is:

(million square feet)	Total	Domestic	Foreign
Manufacturing	11.0	7.6	3.4
Sales and administrative	4.0	1.9	2.1
Research and development	1.7	1.6	0.1
	16.7	11.1	5.6



Some facilities manufacture products included in more than one operating segment. Total assets and capital expenditures by operating segment are included in Note 3 (Information by Operating Segment) of the Notes to Consolidated Financial Statements appearing on pages 28 through 32. Information concerning lease commitments is included in Note 17 (Commitments, Contingencies, Guarantees and Hedging Activities) of the Notes to Consolidated Financial Statements appearing on pages 44 and 45.

In the opinion of management, Corning's facilities are suitable and adequate for production and distribution of the Company's products. At December 31, 1998 Corning did not own any significant amounts of surplus or idle property.

### **Item 3. Legal Proceedings**

There are no pending legal proceedings to which Corning or any of its subsidiaries is a party or of which any of their property is the subject which are material in relation to the consolidated financial statements.

**Environmental Litigation.** Corning has been named by the Environmental Protection Agency under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party at 13 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by such Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. Corning has accrued approximately \$24 million for its estimated liability for environmental cleanup and litigation at December 31, 1998.

**Breast-implant Litigation. Dow Corning Bankruptcy:** Corning and The Dow Chemical Company each own 50% of the common stock of Dow Corning Corporation. On May 15, 1995, Dow Corning sought protection under the reorganization provisions of Chapter 11 of the United States Bankruptcy Code. The bankruptcy proceeding is pending in the United States Bankruptcy Court for the Eastern District of Michigan, Northern Division (Bay City, Michigan). The effect of the bankruptcy is to stay the prosecution against Dow Corning of approximately 19,000 breast-implant product liability lawsuits, including 45 class actions. On December 2, 1996, Dow Corning filed its first Plan of Reorganization in the bankruptcy case. On January 10, 1997, the Tort Claimants Committee and the Commercial Creditors Committee filed a joint motion to modify Dow Corning's exclusivity with respect to filing a plan of reorganization, requesting the right to file their own competing plan. The motion was denied by the Bankruptcy Court in May 1997. Dow Corning filed a First Amended Plan of Reorganization on August 25, 1997 and a Second Amended Plan of Reorganization on February 17, 1998. The Tort Claimants Committee and other creditor representatives opposed these Plans. As a result of extended negotiations, Dow Corning and the Tort Claimants Committee reached certain compromises and on November 8, 1998 jointly filed a revised Plan of Reorganization. After hearings held in early 1999, the Federal Bankruptcy Court ruled in February 1999 that the Amended Joint Plan of Reorganization filed on February 4, 1999 (the "Joint Plan") and related disclosure materials were adequate. These materials will be mailed to claimants, who have until May 14, 1999 to return their votes on the Joint Plan. A hearing to confirm the Joint Plan is scheduled to begin on June 28, 1999. Although the Tort Claimants Committee has supported the Joint Plan, the timing and eventual outcome of these proceedings remain uncertain.

Under the terms of the Joint Plan, Dow Corning would be required to establish a Settlement Trust and a Litigation Facility to provide means for tort claimants to settle or litigate their claims. Dow Corning would have the obligation to fund the Trust and the Facility, over a period of up to 16 years, in an amount up to approximately \$3.2 billion (nominal value), subject to the limitations, terms and in conditions stated the Joint Plan. Dow Corning proposes to provide the required funding over the 16 year period through a combination of cash, proceeds from insurance, and cash flow from operations. Each of Corning and Dow Chemical have agreed to provide a credit facility to Dow Corning of up to \$150 million (\$300 million in the aggregate) subject to the terms and conditions stated in the Joint Plan. The Joint Plan also provides for Dow Corning to make full payment, through cash and the issuance of senior notes, to its commercial creditors.

In related developments, a Panel of Scientific Experts appointed by Judge Sam C. Pointer Jr., a United States District Judge in the Northern District of Alabama who has been serving since 1992 as the coordinating federal judge for all breast implant matters, was asked to address certain questions pertinent to the disease causation issues in the cases against Dow Corning or its shareholders. The Panel held hearings in 1998 and issued its report on November 30, 1998. The report is generally favorable to the implant manufacturers concerning connective tissue disease and immunologic dysfunction issues.

**Implant Tort Lawsuits:** In the period from 1991 through 1998, Corning and Dow Chemical, the shareholders of Dow Corning Corporation, were named in a number of state and federal tort lawsuits alleging injuries arising from Dow Corning's implant products. The claims against the shareholders allege a variety of direct or indirect theories of liability. From 1991 through 1998, Corning has been named in approximately 11,470 state and federal tort lawsuits, some of which were filed as class actions or on behalf of multiple claimants. In 1992, the federal breast implant cases were coordinated for pretrial purposes in the United States District Court, Northern District of Alabama (Judge Sam C. Pointer, Jr.). In 1993, Corning obtained an interlocutory order of summary judgment, which was made final in April 1995, thereby dismissing Corning from over 4,000 federal court cases. On March 12, 1996, the U.S. Court of Appeals for the Eleventh Circuit dismissed the plaintiffs' appeal from that judgment. The District Court thereafter entered orders in May and June 1997 directing that Corning be dismissed from each case pending in or later transferred to the Northern District of Alabama after Dow Corning filed for bankruptcy protection. In state court litigation, Corning was awarded summary judgment in California, Connecticut, Illinois, Indiana, Michigan, Mississippi, New Jersey, New York, Pennsylvania, Tennessee, and Dallas, Harris and Travis Counties in Texas, thereby dismissing approximately 7,000 state cases. On July 30, 1997, the judgment in California became final when the Supreme Court of California dismissed further review as improvidently granted as to Corning. In Louisiana, Corning was awarded summary judgment dismissing all claims by plaintiffs and a cross-claim by Dow Chemical on February 21, 1997. On February 11, 1998, this judgment was vacated as premature by the intermediate appeals court in Louisiana. Corning has filed notices transferring the Louisiana cases to the United States District Court for the Eastern District of Michigan, Southern District (the "Michigan Federal Court") to which substantially all breast implant cases were transferred in 1997. In the Michigan Federal Court, Corning is named as a defendant in approximately 60 pending cases (including some cases with multiple claimants), in addition to the transferred Louisiana cases, but Corning is not named as a defendant in the Master Complaint, which contains claims against Dow Chemical only. Corning has moved for summary judgment in the Michigan Federal Court to dismiss these remaining cases by plaintiffs as well as the third party complaint and all cross-claims by Dow Chemical. Plaintiffs have taken no position on such motion. The Michigan Federal Court heard Corning's motion for summary judgment on February 27, 1998, but has not yet ruled.

**Federal securities case:** A federal securities class action lawsuit was filed in 1992 against Corning and certain individual defendants by a class of purchasers of Corning stock who allege misrepresentations and omissions of material facts relative to the silicone gel breast implant business conducted by Dow Corning. This action is pending in the United States District Court for the Southern District of New York. The court in 1997 dismissed the individual defendants from the case, but has permitted the case to proceed into discovery. In December 1998, Corning filed a motion for summary judgment requesting that all claims against it be dismissed. Plaintiffs claimed the need to take the depositions of certain officers and directors of Dow Corning and other individuals before responding to the motion for summary judgment. Plaintiffs have proposed a schedule giving them until June 28, 1999 to file papers in opposition to Corning's motion for summary judgment. Although no written order has been entered, the Court has indicated that limited additional discovery would be permitted before Corning's motion is entertained.

**Quest Diagnostics: Government Investigations and Related Claims.** On December 31, 1996, Corning completed the spin-off of its health care services businesses by the distribution to its shareholders of the Common Stock of Quest Diagnostics Incorporated ("Quest Diagnostics") and Covance Inc. ("Covance"). In connection with these distributions, Quest Diagnostics assumed financial responsibility for the liabilities related to the contract research business. Corning agreed to indemnify Quest Diagnostics against all monetary penalties, fines or settlements for any governmental claims arising out of alleged violations of applicable federal fraud and health care statutes and relating to billing practices of Quest Diagnostics and its predecessors that were pending at December 31, 1996. Corning also agreed to indemnify Quest Diagnostics for 50% of the aggregate of all judgment or settlement payments made by Quest Diagnostics that are in excess of \$42.0 million in respect of claims by private parties (i.e., nongovernmental parties such as private insurers) that relate to indemnified or previously settled governmental claims and that allege over billings by Quest Diagnostics, or any existing subsidiaries of Quest Diagnostics, for services provided prior to December 31, 1996; provided, however, such indemnification is not to exceed \$25.0 million in the aggregate and that all amounts indemnified against by Corning for the benefit of Quest Diagnostics are to be calculated on a net after-tax basis. Such indemnification does not cover (i) any governmental claims that arise after December 31, 1996 pursuant to service of subpoena or other notice of such investigation after December 31, 1996, (ii) any nongovernmental claims unrelated to the indemnified governmental claims or investigations, (iii) any nongovernmental claims not settled prior to December 31, 2001, (iv) any consequential or incidental damages relating to the billing claims, including losses of revenues and profits as a consequence of exclusion for participation in federal or state health care programs or (v) the fees and expenses of litigation.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

This information is included in Quarterly Operating Results and Related Market Data, Five Years in Review - Historical Comparison, and Investor Information, appearing on pages 48 through 52.

### Item 6. Selected Financial Data

This information is included in Five Years in Review - Historical Comparison appearing on pages 49 and 50.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Corning's strategy is to focus its resources on growth opportunities in its Telecommunications, Advanced Materials and Information Display Segments. During 1998, this objective was evidenced through facility and capacity expansion and an increase in research and development spending within Corning's growth businesses.

Following a record year in 1997, Corning's results were adversely impacted throughout 1998 by the effects of the Asian economic slowdown, which began in the fourth quarter of 1997. These effects, which included a substantial reduction in prices in many businesses and a downward shift in customer demand for certain Corning products, were most significant in the first half of the year and caused net income for the first half of 1998 to be down significantly in comparison to net income for the same period in 1997. During the second half of the year, Corning benefited from an increase in new premium fiber product sales and stronger results in many other businesses, due in part to restructuring and other cost reduction programs. As a result, comparisons in the second half were better than the first; however, net income for the year was down from 1997.

Looking forward, Corning is optimistic that it will resume overall earnings growth in 1999, and is committed to continued investment in the development of new products in all three operating segments.

#### Results of Continuing Operations

Consolidated sales in 1998 were \$3.48 billion, down slightly from 1997. Significant pricing pressures in many key businesses accelerated by the continued volatility in the Asian marketplace were mostly offset by volume gains primarily in the Telecommunications Segment. Strong demand for optical fiber and cable products in 1997 drove consolidated sales to a 16% increase over 1996.

Income from continuing operations totaled \$327.5 million, or \$1.39 per share, in 1998 compared with income from the same operations of \$408.9 million, or \$1.72 per share, in 1997, and \$323.3 million, or \$1.40 per share, in 1996. Net income and earnings per share in 1998 include a restructuring charge of \$84.6 million (\$49.2 million after tax and minority interest), or \$0.21 per share, and non-operating gains totaling \$39.7 million (\$22.9 million after tax), or \$0.10 per share, from the merger between Molecular Simulations, Inc. and Pharmacoepia, Inc. and the divestiture of several small science products businesses.

Excluding the restructuring charge and the non-operating gains, Corning's income and earnings per share from continuing operations were \$353.8 million, or \$1.50 per share, a decline of 13% from results of the same operations in 1997. The decrease in earnings primarily reflects a significant decline in the performance of the Telecommunications Segment, a modest decline in the results of the Advanced Materials Segment and improved operating performance of the Information Display Segment.

In 1997, Corning's income and earnings per share from continuing operations increased 26% and 23%, respectively, over results from the same operations in 1996. Earnings in 1997 reflect strong performance in the Telecommunications Segment, increased earnings from the Advanced Materials Segment and improved results in the Information Display Segment.

## Operating Segments

Corning's products and services are grouped into three operating segments:

Telecommunications, Advanced Materials and Information Display. The earnings of equity affiliates, which are closely associated with Corning's operating segments, are included in segment net income. Additional information on the acquisitions and divestitures discussed in the segment analysis is included in Note 2 of the Notes to Consolidated Financial Statements.

The financial results for Corning's three operating segments have been prepared on a basis that is consistent with the manner in which Corning management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. In this regard, certain common expenses have been allocated among segments differently than would be required for stand alone financial information prepared in accordance with generally accepted accounting principles.

Telecommunications (In millions)	1998	1997	1996
Net sales	\$ 1,791.7	\$ 1,795.3	\$ 1,397.7
Segment earnings before minority interest and equity earnings	\$ 221.9	\$ 307.3	\$ 247.6
Minority interest	(37.3)	(46.0)	(38.1)
Equity in earnings of associated companies	20.7	36.2	44.9
Segment net income	\$ 205.3	\$ 297.5	\$ 254.4

Sales in the Telecommunications Segment were flat in 1998 compared to 1997, as significant declines in the optical fiber and cable businesses offset gains in the photonic technologies and hardware and equipment businesses. Segment net income decreased significantly in 1998 primarily due to a decline in the profitability of optical fiber and cable, higher research and development spending and lower equity earnings.

Optical fiber and cable sales decreased substantially in 1998, as strong volume growth in the domestic fiber markets was more than offset by pricing declines, particularly within the international fiber markets. Domestic volume growth continues to be driven by regional, local and long-haul telephone companies and cable television operators who are installing optical fiber to increase network capacity, reducing operating costs and adding new services. Volume was also driven by the introduction of high data rate premium fibers, particularly in the second half of the year. The continued reduction in optical fiber prices is the result of overcapacity in the worldwide optical fiber market, which was exacerbated in 1998 by the economic events occurring throughout the Asian marketplace. Earnings in the optical fiber and cable businesses in 1998 declined significantly in comparison to 1997, reflecting the lower margin on fiber and cable sales and decreased equity earnings in Corning's international optical fiber equity companies. Equity earnings declined primarily due to a reduction in prices, weak volume and a restructuring charge recorded in the third quarter.

Due to the overcapacity in the global fiber market throughout 1998, Corning slowed the construction of its new \$400 million optical fiber production facility in Concord, North Carolina. Corning currently expects to begin production at this facility in late 1999 or early 2000, depending on market conditions.

In December 1998, Corning acquired the 50% holdings in Optical Fibres previously owned by BICC plc for consideration of \$47 million in cash and assumption of \$27 million of debt. As a result, Corning now owns 100% of this subsidiary and began consolidating its results in December 1998.

Sales and earnings of Corning's optical fiber and optical cable businesses increased significantly in 1997 compared to 1996 as a result of strong worldwide demand for information transmission products, reflecting the need for increased capacity within domestic fiber markets and the upgrade of existing telecommunication infrastructures by China and other developing countries. Equity earnings decreased in comparison to 1996, as volume increases in European equity companies were offset by price declines and reduced volume in Australian and Southeast Asian markets. In response to the dramatic increase in worldwide demand for optical fiber starting in 1996 and continuing in 1997, Corning increased capacity during 1997 with the completion of an approximately \$250 million expansion of its optical fiber production facility in Wilmington, North Carolina and began construction on the new production facility in Concord, North Carolina.

In 1997, Corning formed Samara Optical Cable Company, located in Samara, Russia, which is owned by Corning and Samara Cable Company. This investment is expected to improve geographic market access for optical fiber produced in Corning's domestic production facilities. Sales and earnings of this business were not significant in 1998 and 1997.

The photonic technologies business experienced sales growth of more than 30% in 1998 following growth of 150% in 1997. This growth reflects a substantial increase in volume of fiber gain modules and the introduction of new products. Sales in 1997 also reflected increased volume and the second quarter acquisition of Optical Corporation of America, a worldwide supplier of opto-electronic components. The growth in sales over the last three years has been more than offset by costs related to expanding production facilities and by substantial research and development spending, which more than doubled in 1998 and resulted in the business incurring a loss in all three years. In 1997, Corning substantially completed construction of a \$40 million production facility near Corning, New York.

Sales and earnings in Corning's telecommunications hardware and equipment business increased slightly in 1998 as volume gains and cost reduction efforts offset price declines. In 1997, sales and earnings in the business increased as volume gains offset costs associated with the consolidation of certain plant operations.

Outlook: Sales in the Telecommunications Segment are expected to increase significantly in 1999, primarily due to stronger demand for fiber, cable and photonic technology products throughout the global marketplace, offset somewhat by continued pricing pressures. Segment sales will also be favorably impacted by the consolidation of Optical Fibres, which had sales of approximately \$100 million in 1998. Segment net income is expected to resume double-digit growth in 1999 as sales gains in the fiber, cable and photonic businesses will more than offset increased research and development spending in photonics and the costs associated with the completion of the Concord plant. Equity earnings from the optical fiber equity companies will be lower in 1999 due primarily to the consolidation of Optical Fibres.

Advanced Materials (In millions)	1998	1997	1996
Net sales	\$ 1,020.1	\$ 1,030.4	\$ 1,031.4
Segment earnings before minority interest and equity earnings	\$ 75.9	\$ 89.8	\$ 63.5
Minority interest	0.3	0.7	3.0
Equity in earnings of associated companies	17.6	13.1	8.8
Segment net income	\$ 93.8	\$ 103.6	\$ 75.3

Sales in the Advanced Materials Segment in 1998 decreased slightly in comparison to 1997, as volume gains in the science products business were offset by a decline in volume in the semiconductor materials and optical products businesses. Segment net income decreased in 1998, primarily due to higher research and development spending within the science products business and expansion related costs in the semiconductor materials business. Segment sales were flat in 1997 in comparison to 1996, as significant growth from the semiconductor materials business was offset by a decline in the optical products business and relatively flat sales in the other businesses of this segment. Segment net income increased significantly in 1997 from the sales gains in the semiconductor materials business and performance improvements in the science products business and at Quanterra Incorporated, an environmental testing business.

Sales in the environmental products business in 1998 were comparable to 1997, as strong volume growth in Europe and modest growth in North America was offset by a substantial decline in demand within the Asian market. Earnings increased significantly in 1998, reflecting manufacturing efficiencies, which were offset somewhat by unfavorable exchange rates. In 1998, Corning announced its plans to build a new, \$80 million wholly-owned manufacturing facility in China to meet anticipated demands for emission-control products throughout Asia. Construction is expected to begin in 1999. Sales and earnings in this business were flat in 1997 compared to 1996, reflecting steady volume levels in North America and an increase in volume in Europe, which were offset by the impact of employee strikes at Korean automobile manufacturers during the year and from unfavorable exchange rates. Earnings in 1997 also reflect higher development spending for new products.

Sales in the semiconductor materials business were down slightly while earnings decreased significantly in 1998, as the slowdown in the semiconductor manufacturing equipment industry impacted demand and pricing for high purity fused silica products. As a result of the decline in demand for these products, the start-up of Corning's new manufacturing facility near Charleston, South Carolina has been delayed until at least the second half of 1999. In 1997, sales and earnings in this business increased substantially in comparison to 1996 due to the strong demand for high purity fused silica products and isolator polarizers for the telecommunications industry.

Sales in the science products business increased slightly in 1998, reflecting volume gains in plastic products driven mainly by international growth and in products used in the advanced life science market. Earnings in this business decreased in 1998 in comparison with 1997, as volume growth and manufacturing efficiencies were more than offset by higher research and development spending on new products for advanced life science applications. Sales and earnings in the science products business in 1997 were comparable to 1996, with gains in plastic products primarily from international markets and in new products being offset by declines in glass products. Sales in 1997 were also impacted by inventory reductions in the distribution channels for the plastics business and unfavorable exchange rates. Earnings increased in 1997 due to a favorable sales mix and cost reduction efforts.

Sales and earnings of Corning's other Advanced Materials businesses, consisting of optical and lighting products, decreased in 1998 and 1997 due to a decline in the optical products business as consumer demand continued to shift from glass to plastic lenses. The demand for optical products was also impacted by weakened economies within the Asian, European and Latin American markets. Earnings in 1998 were impacted by development and promotional spending for new photochromic plastic products in the optical products business. Earnings increased in 1997 primarily due to performance improvements in the lighting products business, which were partially offset by development spending in the optical products business.

Segment earnings also include equity earnings from Eurokera and Keraglass, S.N.C., a French-based manufacturer of glass ceramic cooktops. Earnings of this business increased in 1998 and 1997, as a result of the growing demand for glass ceramic cooktops both in Europe and the United States, offset somewhat by expansion costs and development spending on new products. Eurokera has begun an expansion of their facility in France that will increase its production capacity by 2000.

Outlook: Segment sales in 1999 are expected to be up slightly in comparison with 1998 levels, as volume gains from advanced life science products within the science products business, increased demand for high purity fused silica products from the semiconductor materials business, modest growth in the environmental products business, and the introduction of new photochromic plastic lens products from the optical products business offset continued softness in the demand for glass lens products. Segment net income is expected to increase in 1999, reflecting anticipated growth in the semiconductor materials and optical products businesses and planned manufacturing efficiencies within all segment businesses, offset in part by higher research and development spending in the science and optical products businesses.

Information Display (In millions)	1998	1997	1996
Net sales	\$ 644.7	\$ 664.2	\$ 565.5
Segment earnings before minority interest and equity earnings	\$ 39.2	\$ 16.4	\$ (10.0)
Minority interest	(27.6)	(31.0)	(17.4)
Equity in earnings of associated companies	44.9	21.7	22.6
Segment net income (loss)	\$ 56.5	\$ 7.1	\$ (4.8)

Sales in the Information Display Segment decreased in 1998 primarily due to lower prices in the conventional video components and advanced display products businesses offset in part by volume gains in the projection video business. Prices were impacted by a worldwide surplus of glass in the conventional television business and increased competition within the Asian marketplace. Sales in this segment increased in 1997 primarily due to volume growth in the conventional video components and advanced display products businesses.

Segment net income in 1998 improved substantially as a result of increased equity earnings, primarily from Samsung Corning Company, Ltd., improved performance within the projection video business and reduced research and development spending. Segment net income in 1997 improved in comparison to 1996 as the impact on earnings from volume growth and equity earnings was partially offset by expansion related costs and research and development spending.

Sales and earnings in the conventional video components business decreased in 1998 primarily due to price reductions caused by a worldwide surplus of television glass. Earnings in this business were further impacted by a scheduled glass furnace repair during the first half of the year, but improved in the second half due to the implementation of cost reduction programs. In 1998, Corning completed the final phase of the \$200 million expansion at its State College, Pennsylvania, television glass plant, which substantially increased Corning's capacity to make large size video components. Sales in this business increased in 1997 primarily due to volume gains, while earnings increased significantly over 1996 levels, which were impacted by costs associated with glass furnace repairs and expansion related activities.

Sales in the projection video components business increased in 1998 primarily due to renewed growth of projection televisions in the consumer market sector driven by demand for larger sizes, partially offset by softness in the institutional market sector. Earnings in this business increased significantly in 1998 primarily due to the increase in sales and continued manufacturing efficiencies. In 1997, sales in this business increased modestly due to gains achieved from a stronger institutional market, offsetting volume declines in the consumer market. Earnings increased in 1997 due to this increase in volume and certain manufacturing cost efficiencies.

Sales in the advanced display products business, which produces precision flat glass for flat panel liquid crystal displays, decreased in 1998 as volume gains were offset by price declines and unfavorable exchange rates. Sales of glass into Korea declined as Samsung Corning Precision Glass Company, Ltd., an equity affiliate, increased its penetration in that marketplace. The 1998 loss from this business was significantly less than 1997, primarily due to reduced research and development spending, manufacturing efficiencies and increased equity earnings. Equity earnings growth resulted from Samsung Corning Precision, which began producing liquid crystal display glass in Korea in 1996 and experienced strong volume growth in the Korean market and favorable exchange rates. In 1997, sales in the advanced display products business were comparable to 1996 as substantial volume gains were offset by price declines and the impact of unfavorable exchange rates. This business incurred a loss in 1997 as a result of heavy spending on new product development, which more than offset improved operating performance. Samsung Corning Precision achieved break-even operating results in 1997, as currency translation losses negatively impacted earnings.

Equity earnings within segment net income primarily reflect the results of Samsung Corning Company, Ltd., a manufacturer based in South Korea that produces glass pannels and funnels for television and display monitors. Equity earnings in this business increased in 1998 in comparison to 1997, particularly during the first half of the year, as the impact of a worldwide oversupply of glass and a tank repair in the fourth quarter were more than offset by significant restructuring and cost control measures implemented during the year. Earnings from Samsung Corning increased in 1997 as a direct result of the acquisition and building of manufacturing and sales facilities in Germany and Malaysia as part of a global expansion plan. Samsung Corning's results were also favorably impacted by additional volume received while a competitor incurred an employee strike, which offset price declines driven by a competitive Asian market.

In 1997, Corning participated in the creation of two other equity ventures: The American Video Glass Company and Video Monitores de Mexico, S.A. de C.V. (Video Monitores). American Video Glass Company is a partnership between Sony Electronics, Inc., Asahi Glass of America and Corning, and manufactures and supplies television glass components to Sony's North American operations. Video Monitores is an equity venture between Corning, Asahi Glass Company of America, Inc. and Samsung Video Glass America, Inc., which is in the process of building a manufacturing facility in Mexico to finish glass funnels and panels for color television tubes for the North American market. Equity earnings of these businesses were not significant in 1998 or 1997.

Outlook: Sales in the Information Display Segment are expected to increase in 1999, primarily driven by increased volume in the projection video components and advanced display products businesses, partially offset by reduced volume and pricing pressures within the conventional video components business. Segment net income is expected to be comparable with 1998, as favorable comparisons from the conventional video components business, the projection video business and the advanced display products business will likely offset lower equity earnings at Samsung Corning.

### **Non-Segment Results**

Corning's non-segment results include the operations of Steuben Glass, a crystal manufacturer, and equity earnings from Pittsburgh Corning Corporation, Pittsburgh Corning Europe N.V. and other small strategic investments that are not aligned with Corning's three operating segments. In addition, the results of operating segments do not include non-operating gains and restructuring charges.

## Non-operating gains

In 1998, Corning recorded a second quarter non-operating gain of \$20.5 million (\$13.2 million after tax), or \$0.06 per share, as a result of the merger between Molecular Simulations, Inc. and Pharmacoepia, Inc. The 1998 results also include a fourth quarter non-operating gain of \$19.2 million (\$9.7 million after tax), or \$0.04 per share, related to the divestiture of several small science products businesses.

## Restructuring charge

In 1998, Corning recorded a restructuring charge of \$84.6 million (\$49.2 million after tax and minority interest), or \$0.21 per share, for early retirement incentives and severance costs. The restructuring charge relates to approximately 650 employees, of which 610 have been terminated or notified of their termination at December 31, 1998. Management believes that the workforce reductions will significantly reduce operating costs and will be substantially completed in the first half of 1999. Management believes that the costs of restructuring will be financed through operating cash flows and the proceeds from the sale of the consumer housewares business, and does not anticipate any significant impact on its liquidity as a result of the restructuring plan.

## Taxes

Corning's effective tax rate for continuing operations before consideration of non-operating gains and the provision for restructuring was 30.5% in 1998, 33.3% in 1997 and 33.2% in 1996. The lower 1998 rate was due to a higher percentage of Corning's earnings resulting from consolidated entities with lower effective tax rates. Note 6 of the Notes to Consolidated Financial Statements reconciles the effective tax rate to the statutory tax rate.

## Results of Discontinued Operations

On April 1, 1998, Corning completed the recapitalization and sale of a controlling interest in its consumer housewares business (the Consumer transaction). Corning continues to retain an eight percent interest in the Corning Consumer Products Company. On December 31, 1996, Corning distributed shares of Quest Diagnostics Incorporated and Covance Inc., which collectively comprised Corning's Health Care Services Segment, to its shareholders on a pro rata basis (the Distributions). Prior to the Distributions, Corning received a ruling from the Internal Revenue Service that the Distributions were tax-free to Corning and its shareholders. As a result of the Distributions, Quest Diagnostics and Covance became independent, publicly traded companies. Corning's Consolidated Financial Statements report the consumer housewares business, Quest Diagnostics and Covance as discontinued operations.

Results of discontinued operations in 1998 and 1997 pertain to the consumer housewares business and only include operating results through March 31, 1998. Income from discontinued operations in 1998 totaled \$66.5 million, or \$0.28 per share, and included an after-tax gain from the transaction of \$67.1 million, or \$0.29 per share, recognized in the second quarter. Income from discontinued operations in 1997 totaled \$30.9 million, or \$0.13 per share.

The loss from discontinued operations in 1996 included a loss related to the Health Care Services Segment of \$167.3 million, or \$0.70 per share, offset by income from the consumer housewares business of \$19.6 million, or \$0.08 per share. The loss from the Health Care Services Segment in 1996 includes a provision for loss on the Distributions of \$176.5 million, or \$0.74 per share, offset by income from discontinued operations totaling \$9.2 million, or \$0.04 per share, recognized in the first quarter of 1996, prior to Corning's decision to complete the Distributions. The \$176.5 million provision for loss on Distributions included a \$142 million after-tax charge to increase reserves for government claims and an after-tax charge for transaction costs offset by the results of operations of the distributed businesses from April 1, 1996 through December 31, 1996, the Distribution date.

Results of discontinued operations include allocations of consolidated interest expense totaling \$2.7 million, \$13.0 million and \$63.5 million in 1998, 1997 and 1996, respectively. The allocations were based on the ratio of net assets of discontinued operations to consolidated net assets.

Corning has agreed to indemnify Quest Diagnostics on an after-tax basis for the settlement of certain government claims and against certain other claims that were pending at December 31, 1996. Coincident with the Distributions, Corning recorded a payable to Quest Diagnostics of approximately \$25 million, which was equal to management's best estimate of amounts which were probable of being paid by Corning to Quest Diagnostics to satisfy the remaining indemnified claims on an after-tax basis.

Although management believes that recorded reserves for indemnified claims are sufficient, it is possible that additional information may become available to Quest Diagnostics' management, which may cause the final resolution of these matters to exceed established reserves by an amount which could be material to Corning's results of operations and cash flow in the period in which such claims are settled. Management does not believe that these issues will have a material adverse impact on Corning's overall financial condition.

## **Liquidity and Capital Resources**

Corning's working capital decreased from \$241.4 million at the end of 1997 to \$235.6 million at the end of 1998. The ratio of current assets to current liabilities was 1.2 at the end of 1998 compared with 1.3 at year end 1997. Corning's long-term debt as a percentage of total capital was 31% at the end of 1998, compared with 36% at the end of 1997. The decrease in the long-term debt percentage is primarily due to the increase in shareholders' equity.

In 1998, Corning used a portion of the proceeds from the sale of the consumer housewares business to repay approximately \$343 million of short-term borrowings.

During the fourth quarter of 1996, Quest Diagnostics and Covance borrowed approximately \$650 million from third-party lenders and repaid intercompany debt to Corning prior to the Distributions. Corning used the proceeds from the repayment of intercompany debt to repay approximately \$375 million of short-term borrowings and \$75 million of long-term debt.

On February 16, 1999, Corning Delaware L.P., a special purpose limited partnership in which Corning is the sole general partner, called for the redemption of all Convertible Monthly Income Preferred Securities (MIPS). The MIPS were guaranteed by Corning and convertible into Corning common stock at the rate of 1.534 shares of Corning common stock for each MIPS. Holders of the MIPS have the option of either receiving \$51.80 in cash for each share, or converting them into Corning common stock, which had a fair market value after conversion of \$74.88 per share on February 16, 1999. Management expects a majority of the MIPS holders to convert their preferred securities into Corning common stock.

Corning's working capital position is reinforced by available bank credit lines totaling \$825 million and the ability to issue up to \$375 million of medium and long-term debt under existing shelf-registration statements filed with the Securities and Exchange Commission. Corning's management believes the Company has sufficient financial flexibility and ready access to funds to meet seasonal working capital requirements, capital expenditures, acquisitions and other long-term growth opportunities.

## **Cash Flows**

Cash and short-term investments at the end of 1998 decreased from 1997 by \$51.6 million, as cash provided by operating activities of \$637.6 million was more than offset by cash used in investing and financing activities of \$125.7 million and \$396.6 million, respectively, as well as cash used in discontinued operations of \$172.0 million. Cash and short-term investments at the end of 1997 decreased from 1996 by \$118.1 million due to operating activities and discontinued operations which provided cash of \$654.1 million and \$22.0 million, respectively, offset by investing and financing activities which used cash of \$713.4 million and \$83.9 million, respectively.

Net cash provided by operating activities decreased in 1998 from 1997 as lower cash from operations and equity affiliates was offset somewhat by less cash used for working capital. Cash flows from operating activities in 1997 increased compared with 1996 due primarily to increased earnings.

Net cash used by investing activities in 1998 totaled \$125.7 million, a reduction from \$713.4 million in 1997. This decrease reflects the proceeds received from the Consumer transaction. In 1996, Corning generated cash from investing activities as proceeds from the repayment of intercompany debt by Quest Diagnostics and Covance, prior to the Distributions, were greater than capital spending.

Corning invested significant cash in capital expansions in the last three years. Capital spending amounted to \$713.6 million, \$745.6 million and \$560.2 million in 1998, 1997 and 1996, respectively. Corning anticipates capital spending will approximate \$650 million in 1999. The high level of capital spending since 1996 relates primarily to capacity expansions in Corning's growth businesses and expanded research and development facilities.

Corning used a portion of the proceeds from the Consumer transaction to repay short-term debt causing an increase in cash used in financing activities over 1997. Corning used cash in financing activities in 1997 as dividend payments and repurchases of common stock more than offset net borrowings. The level of cash used in financing activities in 1997 was lower than in 1996, which reflected a high level of net loan repayments with the proceeds from the Distributions.

Corning repurchased \$59.7 million, \$50.1 million and \$83.9 million of its common stock in 1998, 1997 and 1996, respectively. All of the 1998, 1997 and approximately \$50 million of the 1996 amount were repurchased pursuant to a systematic plan authorized by the Board of Directors. Corning's systematic plan is designed to provide shares for Corning's various employee benefit programs. The remainder of the 1996 stock repurchases were from employees to satisfy tax withholding requirements on shares issued under employee benefit plans.

Dividends paid to common shareholders in 1998 totaled \$166.8 million compared with \$166.2 million in 1997 and \$165.3 million in 1996.

Cash used in discontinued operations totaled \$172.0 million and \$141.9 million in 1998 and 1996, respectively. Discontinued operations provided cash of \$22.0 million in 1997. The high level of cash used in discontinued operations in 1998 is primarily a result of transaction costs and tax payments related to the Consumer transaction. Cash used in discontinued operations in 1996 primarily related to the payment of government claims settlements related to Quest Diagnostics.

### **Dow Corning Corporation**

Corning is a 50% owner of Dow Corning Corporation (Dow Corning), a manufacturer of silicones. The other 50% of Dow Corning is owned by The Dow Chemical Company (Dow Chemical).

On May 15, 1995, Dow Corning voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code as a result of several negative developments related to the breast implant litigation. At that time, Corning management believed it was impossible to predict if and when Dow Corning would successfully emerge from Chapter 11 proceedings. As a result, Corning recorded an after-tax charge of \$365.5 million, or \$1.62 per share, to fully reserve its investment in Dow Corning and discontinued recognition of equity earnings from Dow Corning in 1995. Note 4 of the Notes to Consolidated Financial Statements includes additional financial information related to this investment.

Dow Corning and the Committee of Tort Claimants, one of Dow Corning's Chapter 11 creditor committees, filed with the United States Bankruptcy Court (the Bankruptcy Court) a joint plan of reorganization on November 9, 1998 (the Joint Plan). After hearings held in early 1999, the Bankruptcy Court ruled in early February 1999 that the disclosure statement related to the Joint Plan was adequate to send to Dow Corning's creditors for consideration. In that ruling, the Bankruptcy Court indicated that the period for voting will extend through May 14, 1999 and hearings to confirm the Joint Plan are scheduled to begin on June 28, 1999. To become effective, the Joint Plan will require a favorable vote by many classes of creditors and final Bankruptcy Court approval after confirmation hearings. In addition, appeals of the Bankruptcy Court's confirmation order are possible. The recent developments, including the support of the Committee of Tort Claimants, tend to increase the probability that Dow Corning will successfully emerge from Chapter 11 proceedings, but the timing and eventual outcome of these proceedings is uncertain.

### **Environment**

Corning has been named by the Environmental Protection Agency under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party for 13 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by such Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned and operated by Corning based on expert analysis and continual monitoring by both internal and external consultants. Corning has accrued approximately \$24 million for its estimated liability for environmental cleanup and related litigation at December 31, 1998.

## Effects of Inflation

Amounts reflected in the financial statements do not provide for the effect of inflation on operations or financial position. The expenses and asset values, specifically those related to long-lived assets, reflect historical cost and do not necessarily represent replacement cost or charges to operations based on replacement cost. Corning's operations provide funds from operations which, along with other sources, are sufficient to replace fixed assets as necessary. Net income would be lower than reported if the effects of inflation were reflected by charging operations for replacement costs.

## Year 2000 Readiness Disclosure

Corning has completed an assessment of required modifications or replacement of its key internal software to become Year 2000 compliant. The assessment involved all known areas of concern, including business applications, manufacturing, engineering, research, facilities systems, third party suppliers and service providers.

Implementation, including testing, of required changes to key applications was substantially completed at December 31, 1998, with the remainder to be completed by the middle of 1999. In addition, an external study team is assisting management in evaluating its processes surrounding the Year 2000 project. Progress is monitored and reported to management and to the Audit Committee of the Board of Directors on a regular basis.

In 1995, Corning initiated a significant project to upgrade and improve access to business information with integrated enterprise-wide corporate applications that were Year 2000 compliant. This initiative has mitigated to some extent the amount of Year 2000 costs incurred to date. Corning's current estimate of the total cost for Year 2000 compliance is approximately \$25 million, of which approximately \$15 million has been spent to date. This estimate includes incremental costs of approximately \$12 million comprised primarily of contractor costs to modify existing systems, of which approximately 55% has been spent to date.

Corning has initiated formal communications with all of its significant customers, suppliers and other third parties to determine the extent to which Corning is vulnerable to third parties' failures to remediate their own potential problems related to the Year 2000. Risk assessments, readiness evaluation and contingency plans to protect Corning's business from Year 2000 related interruptions from these third parties and from key customers are expected to be completed before December 31, 1999. Contingency plans will include, for example, stocking of additional inventory and identifying alternative suppliers.

Corning's risk management program includes emergency backup and recovery procedures to be followed in the event of a failure of a key application. This program is being expanded to include specific procedures for potential Year 2000 issues. Corning is taking what it considers to be reasonable steps to prevent major interruptions in its business due to Year 2000 issues. The inability of Corning or significant third parties to adequately address Year 2000 issues could cause inefficiencies in Corning's business operations. The extent to which Corning's operating results may be impacted by customers or suppliers who are not fully Year 2000 compliant is not readily determinable. Corning's operating results and ability to conduct business is dependent upon the infrastructure of the geographic regions in which its operations and customers are located. A breakdown in the infrastructure of a particular region could adversely impact the operating results of the Company. Corning continues to monitor closely the information about infrastructure preparedness for the Year 2000, especially in the Asian regions.

## Market Risk Disclosures

Corning operates and conducts business in many foreign countries and as a result is exposed to movements in foreign currency exchange rates. More specifically, Corning's earnings are exposed to the effects of exchange rate movements on financial instruments and transactions denominated in foreign currencies. Additionally, Corning's net equity is impacted by the conversion of the net assets of foreign subsidiaries for which the functional currency is not the U.S. Dollar for U.S. reporting purposes. Corning's most significant foreign currency exposures relate to Japan, Korea, and Western European countries. Corning selectively enters into foreign exchange forward contracts with durations generally less than 12 months to hedge its exposure to exchange rate risk on foreign source income and purchases. The hedges are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. The objective of these contracts is to neutralize the impact of exchange rate movements on Corning's operating results. Corning does not hold any derivative contracts that hedge its foreign currency denominated net asset exposures. In addition, one of Corning's subsidiaries enters into revenue sales contracts for certain of its revenues generated in foreign currencies. Such contracts are not subject to foreign currency gains or losses. Corning does not hold or issue derivative financial instruments for trading purposes.

Equity in earnings of associated companies represented 29% of Corning's income from continuing operations in 1998. Foreign-based affiliates comprised 91% of this amount. Exchange rate fluctuations and actions taken by management of these entities to reduce this risk can affect the earnings of these companies.

Corning uses sensitivity analysis to assess the market risk associated with its foreign currency exchange risk. Market risk is defined as the potential change in fair value of assets and liabilities resulting from an adverse movement in foreign currency exchange rates. At December 31, 1998, Corning and its consolidated subsidiaries had open forward contracts, foreign denominated debt and foreign cash and cash equivalent holdings with values exposed to exchange rate movements. A 10% adverse movement in quoted foreign currency exchange rates could result in a loss in fair value of these instruments of \$10.2 million. The effect of a change in exchange rates on the revenue sales contracts is excluded from this analysis as any movement will be offset by a corresponding effect on the underlying revenues.

Corning's market risk exposures have not changed materially from December 31, 1997.

### **New Accounting Pronouncement**

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), which establishes accounting and reporting standards for derivative instruments and hedging activities. FAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Corning currently enters into derivatives in the form of foreign currency hedge instruments to reduce its exposure to exchange rate risk on foreign source income and purchases. Management believes that its current foreign currency hedge instruments qualify as hedges under FAS 133. FAS 133 is effective for fiscal years beginning after June 15, 1999, and is not expected to have a material effect on Corning's financial position or results of operations.

### **Item 8. Financial Statements**

**See Item 14 (a) 1.**

### **Item 9. Disagreements on Accounting and Financial Disclosures**

None.

## PART III

### Item 10. Directors and Executive Officers

A list of Directors of the Company, appearing under the captions "Nominees for Election" and "Directors Continuing in Office" in the Proxy Statement relating to the annual meeting of shareholders to be held on April 29, 1999, is incorporated by reference in this Annual Report on Form 10-K.

#### Executive Officers of the Registrant \*

Roger G. Ackerman (60) Chairman and Chief Executive Officer Mr. Ackerman joined Corning in 1962. In 1972 he was appointed president of Corhart Refractories Co. He was elected senior vice president and general manager of Corning Ceramics in 1975, a senior vice president in 1980, director of the Manufacturing and Engineering Division in 1981, and president and chief executive officer of MetPath Inc. (now Quest Diagnostics Incorporated) in 1983. In 1985, he was elected group president and a director. In 1990 Mr. Ackerman was elected president and in 1996 was elected to his present position.

Van C. Campbell (60) Vice Chairman

Mr. Campbell joined Corning in 1964. He was elected assistant treasurer in 1971, treasurer in 1972, a vice president in 1973, financial vice president in 1975 and senior vice president for finance in 1980. He became general manager of the Consumer Products Division in 1981. Mr. Campbell was elected vice chairman and a director in 1983.

Norman E. Garrity (57) Sector President and Co-Chief Operating Officer Mr. Garrity joined Corning in 1966 and subsequently served in a variety of manufacturing and engineering management positions. In 1979 he was appointed sales and marketing manager for Corning Electronics. In 1984 he was appointed general manager of the Electrical Products Division and subsequently appointed vice president. He was elected senior vice president in 1987 and executive vice president in 1990, responsible for the Specialty Materials Group and the manufacturing and engineering function. In 1996 he was elected to his present position of President, Corning Technologies.

John W. Loose (56) Sector President and Co-Chief Operating Officer Mr. Loose joined Corning in 1964 and subsequently held a variety of sales and marketing positions in the Consumer Products Division. In 1986 he was appointed vice president and general manager for the Asia-Pacific area. In 1988 he was appointed vice president for Corning International Corporation and president and chief executive officer of Corning Asahi Video Products Company and subsequently senior vice president, International. In April 1990 he was elected executive vice president responsible for the Information Display Group. In 1993, Mr. Loose became responsible for the consumer business and was elected president and chief executive officer of Corning Consumer Products Company. In 1996 he was elected to his present position of President, Corning Communications.

Katherine A. Asbeck (42) Vice President and Controller Ms. Asbeck joined Corning in 1991 as director of accounting. She was appointed assistant controller in 1993, designated chief accounting officer in 1994 and elected vice president and controller effective as of May 16, 1997. Prior to joining Corning, Ms. Asbeck was a senior audit manager of PricewaterhouseCoopers LLP.

Peter Booth (59) Senior Vice President Mr. Booth joined Corning in 1974 as international counsel and was elected a vice president of Corning International Corporation in 1975. He became corporate counsel in 1980. In 1983 he was appointed director of Corporate Plans and elected vice president and secretary. He became executive vice president of Corning Japan K.K. in 1986. In 1991, Mr. Booth was named senior vice president responsible for Strategy and Development.

Charles W. Deneka (54) Senior Vice President Mr. Deneka joined Corning in 1972 and subsequently held manufacturing, engineering and development positions in several divisions. In 1990, he was named vice president and director of Development responsible for new product development activities. In January 1995, he was appointed senior vice president and chief technical officer.

Robert L. Ecklin (60) Executive Vice President Mr. Ecklin joined Corning in 1961 and served in a variety of U.S. and international manufacturing and engineering managerial positions. For Corning Engineering he served as its vice president in 1982 and was appointed its president in 1983. In 1986 he became vice president of Business Development. Mr. Ecklin was appointed general manager of the Industrial Products Division in 1989 and senior vice president in 1990. Effective January 1, 1999, he was appointed executive vice president of the Environmental Products Division.

William D. Eggers (54) Senior Vice President and General Counsel Mr. Eggers joined Corning in 1997 as vice president and deputy general counsel. He was elected senior vice president and general counsel in February of 1998. Mr. Eggers was a Partner with the Rochester firm of Nixon, Hargrave, Devans & Doyle, LLP, before joining Corning, and was outside litigation counsel for Corning in a number of commercial matters.

James B. Flaws (50) Senior Vice President, Treasurer and Chief Financial Officer Mr. Flaws joined Corning in 1973 and has held a variety of positions within Corning's Consumer Products group and in 1991 was appointed vice president and chief financial officer. Mr. Flaws was elected assistant treasurer of Corning Incorporated in 1993, vice president and controller effective as of February 1, 1997 and vice president-finance and treasurer effective as of May 16, 1997. He was elected senior vice president and chief financial officer in December, 1997.

Kirk P. Gregg (39) Senior Vice President Mr. Gregg joined Corning in 1993 as director of Executive Compensation, was named vice president of Executive Resources and Employee Benefits in December 1994. He was named to his current position in December 1997. Prior to joining Corning, Mr. Gregg was with General Dynamics Corporation as corporate director, Key Management Programs, and was responsible for executive compensation and benefits, executive development and recruiting.

A. John Peck, Jr. (59) Vice President and Secretary Mr. Peck joined Corning in 1972. He has served as assistant counsel and as associate counsel in the Legal Department. He was appointed assistant secretary in 1981, elected secretary in 1988, and elected vice president in 1998.

Randall D. Price (51) Executive Vice President Mr. Price joined Corning in 1977 and subsequently held various sales, marketing and development positions at several divisions. In 1995, he was appointed division vice president for the Advanced Materials and Process Technology Groups. In April 1996, he was named vice president and general manager of the Advanced Materials Division. Effective January 1, 1999, he was appointed executive vice president of the Advanced Materials Division.

Peter Volanakis (43) Executive Vice President Mr. Volanakis joined Corning in 1982 and subsequently held various marketing, development and commercial positions in several divisions. In 1991, he was appointed director of corporate marketing. In 1995, he was named executive vice president of Siecor Corporation. He was named senior vice president of Advanced Display Products in October 1997. Effective January 1, 1999, he was appointed executive vice president of the Advanced Display and Science Products Divisions.

Wendell P. Weeks (39) Executive Vice President Mr. Weeks joined Corning in 1983 and has served in various accounting, business development, and business manager positions. In 1992, he was named general manager and director of external development, Opto-Electronics Components Business, division vice president in July 1994, and deputy general manager in June 1995. He was appointed vice president and general manager of the Telecommunications Products Division in March 1996 and senior vice president effective November 1, 1997. Effective January 1, 1999, he was appointed executive vice president of Opto-Electronics.

**\*as of January 1, 1999**

### **Item 11. Management Remuneration and Transactions**

Information covering Management Remuneration and Transactions, appearing under the captions "Report of the Compensation Committee of the Board of Directors on Executive Compensation" and "Other Matters" in the Proxy Statement relating to the annual meeting of shareholders to be held on April 29, 1999, is incorporated by reference in this Annual Report on Form 10-K.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management**

Information with respect to Security Ownership of Certain Beneficial Owners, appearing under the caption "Security Ownership of Certain Beneficial Owners" in the Proxy Statement relating to the annual meeting of shareholders to be held on April 29, 1999, is incorporated by reference in this Annual Report on Form 10-K.

### **Item 13. Certain Relationships and Related Transactions**

A description of transactions with management and others and certain business relationships, appearing under the captions "Directors' Compensation and Other Matters Relating to Directors" and "Other Matters" in the Proxy Statement relating to the annual meeting of shareholders to be held on April 29, 1999, is incorporated by reference in this Annual Report on Form 10-K.

## PART IV

### Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Index to financial statements and financial statement schedules, filed as part of this report:

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Report of Independent Accountants	21
Consolidated Statements of Income	22
Consolidated Balance Sheets	23
Consolidated Statements of Cash Flows	24
Consolidated Statements of Changes in Shareholders' Equity	25
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3. Exhibits filed as part of this report: see (c) below.

(b) Reports on Form 8-K filed during the last quarter of fiscal 1998:

A report on Form 8-K dated October 19, 1998, filed in connection with the registrant's medium-term note facility, includes Corning's third quarter earnings press release of October 19, 1998.

(c) Exhibits filed as part of this report:

#3 (i) Articles of Incorporation of the Registrant:

Restated Certificate of Incorporation, dated April 24, 1997, filed with the Secretary of State of the State of New York on November 19, 1998.

- #3 (ii) By-laws of the Registrant as amended to and effective as of October 6, 1998, which appear as Exhibit 3(ii) to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 is incorporated herein by reference in this Annual Report on Form 10-K.
- #4 Rights Agreement dated June 5, 1996, that defines the preferred share purchase rights which trade with the Registrant's common stock, which appears as Exhibit 1 to Form 8-K, dated July 10, 1996, is incorporated herein by reference in this Annual Report on Form 10-K.
- #12 and Computation of Ratio of Earnings to Combined Fixed Charges Preferred Dividends
- #21 Subsidiaries of the Registrant at December 31, 1998
- #23 Consent of Independent Accountants
- #24 Powers of Attorney
- #27 Financial Data Schedule

## Signatures

Pursuant to the requirements of Sections 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.

### Corning Incorporated

By	/s/ Roger G. Ackerman ----- (Roger G. Ackerman)	Chairman and Chief Executive Officer	February 24, 1999
By	/s/ James B. Flaws ----- (James B. Flaws)	Senior Vice President, Treasurer and Chief Financial Officer	February 24, 1999
By	/s/ Katherine A. Asbeck ----- (Katherine A. Asbeck)	Vice President and Controller	February 24, 1999

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

	Capacity	Date
* ----- (Roger G. Ackerman)	Chairman and Chief Executive Officer	February 24, 1999
* ----- (Robert Barker)	Director	February 24, 1999
* ----- (John Seely Brown)	Director	February 24, 1999
* ----- (Van C. Campbell)	Director	February 24, 1999
* ----- (John H. Foster)	Director	February 24, 1999
* ----- (Norman E. Garrity)	Director	February 24, 1999
* ----- (Gordon Gund)	Director	February 24, 1999

*		
-----		
(John M. Hennessy)	Director	February 24, 1999
*		
-----		
(James R. Houghton)	Director	February 24, 1999
*		
-----		
(James W. Kinnear)	Director	February 24, 1999
*		
-----		
(John W. Loose)	Director	February 24, 1999
*		
-----		
(James J. O'Connor)	Director	February 24, 1999
*		
-----		
(Catherine A. Rein)	Director	February 24, 1999
*		
-----		
(Henry Rosovsky)	Director	February 24, 1999
*		
-----		
(H. Onno Ruding)	Director	February 24, 1999
*		
-----		
(William D. Smithburg)	Director	February 24, 1999

\*By

-----  
 /s/ William D. Eggers  
 -----  
 (William D. Eggers, Attorney-in-fact)

## REPORT OF INDEPENDENT ACCOUNTANTS

**PricewaterhouseCoopers LLP**

**To the Board of Directors and Shareholders of Corning Incorporated**

In our opinion, the consolidated financial statements listed in the index appearing under item 14(a)(1) on page 18 present fairly, in all material respects, the financial position of Corning Incorporated and its subsidiaries at December 31, 1998 and 1997, and the results of their operations, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*/s/ PricewaterhouseCoopers  
LLP  
1301 Avenue of the Americas  
New York, New York 10019*

January 25, 1999, except for Note 4 and Note 11, which are as of February 16, 1999

**CONSOLIDATED STATEMENTS OF INCOME Corning Incorporated and Subsidiary Companies**

(In millions, except per share amounts)	Year Ended December 31,		
	1998	1997	1996
<b>Revenues</b>			
Net sales	\$ 3,484.0	\$ 3,516.8	\$ 3,024.0
Royalty, interest and dividend income	48.4	37.5	29.7
Non-operating gains	39.7		
	3,572.1	3,554.3	3,053.7
<b>Deductions</b>			
Cost of sales	2,153.9	2,042.3	1,830.1
Selling, general and administrative expenses	487.7	541.6	499.4
Provision for restructuring	84.6		
Research, development and engineering expenses	293.9	250.3	189.2
Interest expense, net	56.7	72.0	57.2
Other, net	55.7	18.9	22.0
Income from continuing operations before taxes on income	439.6	629.2	455.8
Taxes on income from continuing operations	132.8	209.5	151.4
Income from continuing operations before minority interest and equity earnings	306.8	419.7	304.4
Minority interest in earnings of subsidiaries	(60.9)	(76.3)	(52.5)
Dividends on convertible preferred securities of subsidiary	(13.7)	(13.7)	(13.7)
Equity in earnings of associated companies	95.3	79.2	85.1
Income from continuing operations	327.5	408.9	323.3
Income (loss) from discontinued operations, net of income taxes			(167.3)
Life science businesses			19.6
Consumer housewares business	66.5	30.9	
Net Income	\$ 394.0	\$ 439.8	\$ 175.6
<b>Basic Earnings Per Share:</b>			
Continuing operations	\$ 1.42	\$ 1.79	\$ 1.42
Discontinued operations	0.29	0.13	(0.66)
Net Income	\$ 1.71	\$ 1.92	\$ 0.76
<b>Diluted Earnings Per Share:</b>			
Continuing operations	\$ 1.39	\$ 1.72	\$ 1.40
Discontinued operations	0.28	0.13	(0.62)
Net Income	\$ 1.67	\$ 1.85	\$ 0.78
<b>Shares used in Computing Earnings Per Share</b>			
Basic earnings per share	229.6	228.1	227.1
Diluted earnings per share	243.9	245.4	239.5

The accompanying notes are an integral part of these statements.

**CONSOLIDATED BALANCE SHEETS Corning Incorporated and Subsidiary Companies**

	December 31,	
(In millions, except share amounts)	1998	1997
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 12.2	\$ 61.0
Short-term investments, at cost, which approximates market value	33.2	36.0
Accounts receivable, net of doubtful accounts and allowances - \$15.2/1998; \$10.7/1997	636.0	559.7
Inventories	458.7	428.3
Deferred taxes on income and other current assets	170.2	114.1
<b>Total current assets</b>	<b>1,310.3</b>	<b>1,199.1</b>
<b>Investments</b>		
Associated companies, at equity	313.1	292.9
Others, at cost or fair value	53.1	17.1
Plant and equipment, at cost, net of accumulated depreciation	2,684.9	2,267.9
Goodwill and other intangible assets, net of accumulated amortization - \$66.7/1998; \$51.5/1997	309.7	294.2
Other assets	310.8	263.1
Net assets of discontinued operations		357.6
<b>Total Assets</b>	<b>\$ 4,981.9</b>	<b>\$ 4,691.9</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Loans payable	\$ 204.6	\$ 213.0
Accounts payable	291.7	300.0
Other accrued liabilities	578.4	444.7
<b>Total current liabilities</b>	<b>1,074.7</b>	<b>957.7</b>
<b>Other liabilities</b>		
Loans payable beyond one year	674.1	627.5
Minority interest in subsidiary companies	998.3	1,125.8
Convertible preferred securities of subsidiary	346.1	349.3
Convertible preferred stock	365.2	365.3
Common shareholders' equity	17.9	19.8
Common stock, including excess over par value and other capital - par value \$0.50 per share; Shares authorized: 500 million; Shares issued: 265.9 million/1998; 264.3 million/1997	766.0	707.2
Retained earnings	1,521.7	1,296.0
Less cost of 34.4 million/1998 and 32.7 million/1997 shares of common stock in treasury	(790.0)	(724.5)
Accumulated other comprehensive income	7.9	(32.2)
<b>Total common shareholders' equity</b>	<b>1,505.6</b>	<b>1,246.5</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,981.9</b>	<b>\$ 4,691.9</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Corning Incorporated and Subsidiary Companies**

(In millions)	Year Ended December 31,		
	1998	1997	1996
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 394.0	\$ 439.8	\$ 175.6
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
(Income) loss from discontinued operations	(66.5)	(30.9)	147.7
Depreciation and amortization	298.0	285.9	252.3
Non-operating gains	(39.7)		
Provision for restructuring, net of cash spent	61.3		
Employee benefit expense in excess of cash funding	40.6	35.2	11.2
Equity in earnings of associated companies, less than (in excess of) dividends received	(32.0)	(13.9)	2.9
Minority interest in earnings of subsidiaries in excess of dividends paid	8.7	40.8	18.8
(Gains) losses on disposition of properties and investments	9.3	(6.2)	5.1
Deferred tax provision (benefit)	(4.0)	(10.3)	17.7
Other non-cash items	34.4	3.8	(6.8)
Changes in operating assets and liabilities:			
Accounts receivable	(56.1)	(69.9)	(92.1)
Inventories	(7.3)	(69.5)	(64.5)
Other current assets	(14.0)	(8.4)	(21.1)
Accounts payable and other current liabilities	10.9	57.7	74.3
<b>Net Cash Provided by Operating Activities of Continuing Operations</b>	<b>637.6</b>	<b>654.1</b>	<b>521.1</b>
<b>Cash Flows From Investing Activities:</b>			
Additions to plant and equipment	(713.6)	(745.6)	(560.2)
Acquisitions of businesses, net	(43.5)	(32.0)	(15.1)
Net proceeds from disposition of properties and investments	140.3	56.2	35.9
Proceeds from divestiture of consumer housewares business	593.1		
Proceeds from Distributions of subsidiaries			650.0
Net increase in long-term investments	(102.1)	(8.8)	(12.7)
Other, net	0.1	16.8	19.7
<b>Net Cash Provided by (Used in) Investing Activities of Continuing Operations</b>	<b>(125.7)</b>	<b>(713.4)</b>	<b>117.6</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of loans	300.4	129.8	415.4
Repayments of loans	(148.4)	(33.0)	(205.0)
Repayments of loans with proceeds from divestiture of consumer housewares business in 1998 and Distributions of subsidiaries in 1996	(343.0)		(450.0)
Increase in minority interest due to capital contributions			8.6
Proceeds from issuance of common stock	22.4	37.2	43.4
Repurchases of common stock	(59.7)	(50.1)	(83.9)
Dividends paid	(168.3)	(167.8)	(167.2)
<b>Net Cash Used in Financing Activities of Continuing Operations</b>	<b>(396.6)</b>	<b>(83.9)</b>	<b>(438.7)</b>
Effect of exchange rates on cash	5.1	3.1	(2.2)
Effect of accounting calendar change on cash			(17.5)
Cash provided by (used in) discontinued operations	(172.0)	22.0	(141.9)
<b>Net change in cash and cash equivalents</b>	<b>(51.6)</b>	<b>(118.1)</b>	<b>38.4</b>
Cash and cash equivalents at beginning of year	97.0	215.1	176.7
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 45.4</b>	<b>\$ 97.0</b>	<b>\$ 215.1</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Corning Incorporated and Subsidiary Companies**

(In millions, except per share amounts)

	Common stock	Capital in excess of par value	Unearned compensation	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total shareholders' equity
Balance, December 31, 1995	\$129.3	\$1,116.7	\$(133.0)	\$1,496.5	\$(563.0)	\$56.5	\$2,103.0
Net income				175.6			175.6
Foreign currency translation adjustment						(12.9)	(12.9)
Total comprehensive income							162.7
Shares issued	1.2	45.6					46.8
Corning Stock Ownership Trust			(19.7)				(19.7)
Distributions of subsidiaries		(653.5)		(473.2)			(1,126.7)
Repurchases of shares					(50.5)		(50.5)
Dividends on stock (\$0.72 per share)				(167.2)			(167.2)
Other, net		53.5	25.9	(7.7)	(59.0)		12.7
Balance, December 31, 1996	130.5	562.3	(126.8)	1,024.0	(672.5)	43.6	961.1
Net income				439.8			439.8
Foreign currency translation adjustment						(75.8)	(75.8)
Total comprehensive income							364.0
Shares issued	1.7	111.0					112.7
Corning Stock Ownership Trust			14.5				14.5
Repurchases of shares					(50.1)		(50.1)
Dividends on stock (\$0.72 per share)				(167.8)			(167.8)
Other, net		19.6	(5.6)		(1.9)		12.1
Balance, December 31, 1997	132.2	692.9	(117.9)	1,296.0	(724.5)	(32.2)	1,246.5
Net income				394.0			394.0
Foreign currency translation adjustment						41.1	41.1
Unrealized loss on marketable securities, net of tax						(1.0)	(1.0)
Total comprehensive income							434.1
Shares issued	0.8	42.7					43.5
Corning Stock Ownership Trust			(3.1)				(3.1)
Repurchases of shares					(59.7)		(59.7)
Dividends on stock (\$0.72 per share)				(168.3)			(168.3)
Other, net		28.5	(10.1)		(5.8)		12.6
Balance, December 31, 1998	\$133.0	\$764.1	\$(131.1)	\$1,521.7	\$(790.0)	\$7.9	\$1,505.6

The accompanying notes are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Corning Incorporated and Subsidiary Companies

(In millions, except share and per share amounts)

### 1. Summary of Significant Accounting Policies

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of all entities controlled by Corning. All significant intercompany accounts and transactions are eliminated.

The equity method of accounting is used for investments in associated companies which are not controlled by Corning and in which Corning's interest is generally between 20% and 50%.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On April 1, 1998, Corning completed the recapitalization and sale of a controlling interest in its consumer housewares business. On December 31, 1996, Corning distributed all of the shares of its Health Care Services Segment (Quest Diagnostics Incorporated and Covance Inc.), to its shareholders on a pro rata basis. Corning's consolidated financial statements and notes to consolidated financial statements report the consumer housewares business, Quest Diagnostics and Covance as discontinued operations.

#### **Foreign Currencies**

Balance sheet accounts of foreign subsidiaries are translated at current exchange rates and income statement accounts are translated at average exchange rates for the year. Translation gains and losses are accumulated in a separate component of common shareholders' equity. Foreign currency transaction gains and losses affecting cash flows are included in current earnings.

Corning enters into foreign exchange contracts primarily as hedges against identifiable foreign currency commitments. Gains and losses on contracts identified as hedges are deferred and included in the measurement of the related foreign currency transactions. Gains and losses on foreign currency contracts which are not designated as hedges of foreign currency commitments are included in current earnings.

In addition to the foreign exchange contracts described in the preceding paragraph, Corning enters into revenue sales contracts for certain of its revenues generated in foreign currencies. Such contracts, because of their terms, are not subject to foreign currency gains and losses.

#### **Cash and Cash Equivalents**

Short-term investments, comprised of repurchase agreements and debt instruments with original maturities of three months or less, are considered cash equivalents.

#### **Marketable Securities**

Corning's marketable securities consist of equity securities classified as available-for-sale which are stated at estimated fair value based primarily upon market quotes. Unrealized gains and losses, net of tax, are computed on the basis of specific identification, and are reported as a separate component of accumulated other comprehensive income in shareholders' equity until realized. A decline in the value of any marketable security below cost that is deemed other than temporary is charged to earnings, resulting in a new cost basis for the security.

## 1. Summary of Significant Accounting Policies (continued)

### **Inventories**

Inventories are stated at the lower of cost or market. Approximately 54% and 57% of Corning's inventories at December 31, 1998, and 1997, respectively, are valued using the first-in, first-out (FIFO) method. The last-in, first-out (LIFO) method is used to value the remaining inventories, which are principally at domestic plant locations.

### **Property and Depreciation**

Land, buildings and equipment are recorded at cost. Depreciation is based on estimated useful lives of properties using straight-line and accelerated methods.

### **Goodwill and Other Intangible Assets**

Investment costs in excess of the fair value of net assets acquired are amortized over appropriate periods not exceeding 40 years. Other intangible assets are recorded at cost and amortized over periods generally not exceeding 15 years.

### **Taxes on Income**

Corning uses the asset and liability approach to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted.

## 2. Business Combination and Divestitures

### **Purchases**

On December 1, 1998, Corning acquired the 50% interest in Optical Fibres previously owned by BICC plc. The consideration was comprised of approximately \$47 million in cash and the assumption of \$27 million in debt. The acquisition was recorded using the purchase method of accounting. The excess cost over the fair value of the net tangible assets acquired was approximately \$38 million and is being amortized over periods of up to 20 years. Optical Fibres became a wholly owned subsidiary as a result of this transaction and the results of its operations are included in the consolidated financial statements from the date of the transaction.

In April 1997, Corning acquired 100% of the stock of Optical Corporation of America (OCA) for a total purchase price of approximately \$70 million. The consideration was comprised of approximately 950,000 shares of Corning restricted stock, options and \$32 million of cash. The acquisition was recorded using the purchase method of accounting. The results of operations of OCA are included in the consolidated financial statements from the date of acquisition. The excess cost over the fair value of the net tangible assets acquired was approximately \$52 million and is being amortized over periods of up to 20 years.

### **Divestitures**

In the fourth quarter of 1998, Corning recorded a non-operating gain of \$19.2 million (\$9.7 million after tax), or \$0.04 per share, related to the divestiture of several small businesses within the science products division.

In February 1997, Corning sold its Serengeti eyewear business to Solar-Mates, Inc. for approximately \$28 million. In March 1996, Corning sold its equity investment in CALP S.p.A. for approximately \$30 million. The gains recognized on these transactions were not material.

### **Other**

In June 1998, Molecular Simulations, Inc. (MSI) merged with Pharmacoepia, Inc., a publicly traded company. Corning previously owned 35% of MSI and owns approximately 15% of the combined entity. Corning realized a non-operating gain of \$20.5 million (\$13.2 million after tax), or \$0.06 per share, from this transaction.

## 2. Business Combination and Divestitures (continued)

In January 1996, Corning and International Technology (IT) completed a transaction whereby Corning increased its ownership in Quanterra Incorporated (Quanterra), a jointly owned company between Corning and IT, from 50% to 81% in exchange for an investment of approximately \$20 million. As a result of this transaction, Corning began consolidating Quanterra's results beginning in 1996. In June 1998, Quanterra redeemed IT's remaining 19% interest for \$5.7 million and became a 100% owned subsidiary of Corning.

## 3. Information by Operating Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Corning's chief operating decision making group is comprised of the Chief Executive Officer and the officers who report to him directly.

Corning's reportable segments include Telecommunications, Advanced Materials and Information Display. The Telecommunications Segment produces optical fiber and cable, optical hardware and equipment and photonic components for the worldwide telecommunications industry. The Advanced Materials Segment manufactures specialized products with unique properties for customer applications utilizing glass, glass ceramic and polymer technologies. Businesses within this segment include environmental products, science products, semiconductor materials and optical and lighting products. The Information Display Segment manufactures glass panels and funnels for televisions and CRTs, and projection video lens assemblies and liquid crystal display glass for flat panel displays.

Corning evaluates performance based on an after tax profit measure, which is identified as segment net income. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The financial results for Corning's three operating segments have been prepared on a basis which is consistent with the manner in which Corning management internally disaggregates financial information for the purposes of assisting in making internal operating decisions. In this regard, certain common expenses have been allocated among segments less precisely than would be required for stand alone financial information prepared in accordance with generally accepted accounting principles. Revenue attributed to geographic areas is based on the location of the customer.

### 3. Information by Operating Segment (continued)

Operating Segments	Telecommunications	Advanced Materials	Information Display	Total Segments
1998				
Net sales	\$1,791.7	\$1,020.1	\$644.7	\$3,456.5
Depreciation and amortization (1)	143.5	78.8	74.5	296.8
Research, development and engineering expenses (2)	190.2	80.0	23.7	293.9
Interest income (3)	9.5	3.2	1.1	13.8
Interest expense (4)	29.7	16.7	10.0	56.4
Income tax expense	101.4	38.4	8.2	148.0
Segments earnings before minority interest and equity earnings (5)	221.9	75.9	39.2	337.0
Minority interest in earnings of subsidiaries	(37.3)	0.3	(27.6)	(64.6)
Equity in earnings of associated companies	20.7	17.6	44.9	83.2
Segment net income	205.3	93.8	56.5	355.6
Investment in associated companies, at equity	25.8	42.0	190.4	258.2
Segment assets (6)	1,887.1	837.7	915.1	3,639.9
Capital expenditures	260.0	131.0	53.0	444.0
1997				
Net sales	\$1,795.3	\$1,030.4	\$664.2	\$3,489.9
Depreciation and amortization (1)	130.7	82.0	71.8	284.5
Research, development and engineering expenses (2)	117.1	63.6	69.6	250.3
Interest income (3)	3.6	2.5	1.0	7.1
Interest expense (4)	34.3	23.5	13.8	71.6
Income tax expense	163.9	50.8	(8.6)	206.1
Segments earnings before minority interest and equity earnings (5)	307.3	89.8	16.4	413.5
Minority interest in earnings of subsidiaries	(46.0)	0.7	(31.0)	(76.3)
Equity in earnings of associated companies	36.2	13.1	21.7	71.0
Segment net income	297.5	103.6	7.1	408.2
Investment in associated companies, at equity	62.8	35.3	142.2	240.3
Segment assets (6)	1,599.2	762.6	841.4	3,203.2
Capital expenditures	336.0	117.0	119.0	572.0
1996				
Net sales	\$1,397.7	\$1,031.4	\$565.5	\$2,994.6
Depreciation and amortization (1)	104.7	65.0	81.0	250.7
Research, development and engineering expenses (2)	83.2	52.3	53.7	189.2
Interest income (3)	2.6	2.5	1.8	6.9
Interest expense (4)	24.4	21.8	10.6	56.8
Income tax expense	130.6	33.0	(13.8)	149.8
Segments earnings before minority interest and equity earnings (5)	247.6	63.5	(10.0)	301.1
Minority interest in earnings of subsidiaries	(38.1)	3.0	(17.4)	(52.5)
Equity in earnings of associated companies	44.9	8.8	22.6	76.3
Segment net income	254.4	75.3	(4.8)	324.9
Investment in associated companies, at equity	53.4	27.7	163.0	244.1
Segment assets (6)	1,227.9	631.5	789.4	2,648.8
Capital expenditures	209.0	85.6	170.0	464.6

(1) Includes an allocation of depreciation of corporate property, plant and equipment not specifically identifiable to a segment. Related depreciable assets are not allocated to segment assets.

(2) Non-direct research, development and engineering expenses are allocated based upon direct project spending for each segment.

(3) Interest income is allocated to segments based on a percentage of segment net operating assets.

(4) Interest expense is allocated to segments based on a percentage of segment net operating assets. Consolidated subsidiaries with independent capital structures do not receive additional allocations of interest expense.

(5) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal, are allocated to segments, primarily as a percentage of sales.

(6) Includes inventory, accounts receivable, plant, property and equipment, investments in associated equity companies and goodwill specifically identifiable to segments.

### 3. Information by Operating Segment (continued)

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is as follows:

	1998	1997	1996
<b>Revenues</b>			
Total segment net sales	\$ 3,456.5	\$ 3,489.9	\$ 2,994.6
Non-segment net sales (1)	27.5	26.9	29.4
Royalty, interest and dividend income	48.4	37.5	29.7
Non-operating gains	39.7		
<b>Total revenues</b>	<b>\$ 3,572.1</b>	<b>\$ 3,554.3</b>	<b>\$ 3,053.7</b>
<b>Net income</b>			
Total segment net income (2)	\$ 355.6	\$ 408.2	\$ 324.9
Unallocated items:			
Non-segment income (1)	39.5	10.0	5.3
Provision for restructuring (3)	(84.6)		
Minority interest	3.7		
Interest expense	(0.3)	(0.4)	(0.4)
Income tax	15.2	(3.4)	(1.6)
Equity in earnings of associated companies (1)	12.1	8.2	8.8
Dividends on convertible preferred securities of subsidiary	(13.7)	(13.7)	(13.7)
<b>Net income from continuing operations</b>	<b>\$ 327.5</b>	<b>\$ 408.9</b>	<b>\$ 323.3</b>
<b>Assets</b>			
Total segment assets	\$ 3,639.9	\$ 3,203.2	\$ 2,648.8
Non-segment assets:			
Net assets of discontinued operations		357.6	364.0
Property, plant and equipment (4)	624.7	523.2	442.4
Investments (5)	108.1	69.7	93.1
Other current assets (6)	310.7	263.1	380.6
Remaining corporate assets (7)	298.5	275.1	254.5
<b>Total consolidated assets</b>	<b>\$ 4,981.9</b>	<b>\$ 4,691.9</b>	<b>\$ 4,183.4</b>

(1) Includes amounts derived from corporate investments. Non-segment net income includes non-operating gains in 1998.

(2) Includes royalty, interest and dividend income.

(3) See Footnote 8 to the consolidated financial statements for further discussion of this charge. The portion of this charge related to Telecommunications, Advanced Materials and Information Display Segments was \$8.3 million, \$26.9 million, and \$16.3 million, respectively. The remainder pertains to corporate functions.

(4) Represents corporate property, plant and equipment not specifically identifiable to a segment.

(5) Represents corporate investments in associated companies, at equity.

(6) Includes current corporate assets, primarily cash, short-term investments and deferred taxes.

(7) Includes non-current corporate assets, primarily pension assets and deferred taxes.

### 3. Information by Operating Segment (continued)

Other Significant Items	Segment Total	Reconciling Adjustments	Consolidated Total
<hr/>			
1998			
Depreciation and amortization	\$ 296.8	\$ 1.2	\$ 298.0
Interest expense	56.4	0.3	56.7
Income taxes	148.0	(15.2)	132.8
Equity in earnings of associated companies	83.2	12.1	95.3
Minority interest	(64.6)	3.7	(60.9)
Investment in associated companies, at equity	258.2	54.9	313.1
Capital expenditures	444.0	269.6 (1)	713.6
<hr/>			
1997			
Depreciation and amortization	\$ 284.5	\$ 1.4	\$ 285.9
Interest expense	71.6	0.4	72.0
Income taxes	206.1	3.4	209.5
Equity in earnings of associated companies	71.0	8.2	79.2
Investment in associated companies, at equity	240.3	52.6	292.9
Capital expenditures	572.0	173.6 (1)	745.6
<hr/>			
1996			
Depreciation and amortization	\$ 250.7	\$ 1.6	\$ 252.3
Interest expense	56.8	0.4	57.2
Income taxes	149.8	1.6	151.4
Equity in earnings of associated companies	76.3	8.8	85.1
Investment in associated companies, at equity	244.1	69.7	313.8
Capital expenditures	464.6	95.6 (1)	560.2
<hr/>			

(1) Includes capital spending on shared research facilities of \$166.0 million, \$82.4 million and \$19.0 million in 1998, 1997 and 1996, respectively.

### 3. Information by Operating Segment (continued)

Information concerning principal geographic areas is as follows:

	1998		1997		1996	
	Net Sales	Non-current Assets (1)	Net Sales	Non-current Assets (1)	Net Sales	Non-current Assets (1)
<b>North America</b>						
United States	\$2,257.4	\$2,877.5	\$2,206.8	\$2,436.8	\$2,020.8	\$1,950.2
Canada	301.7	89.9	246.8	90.8	120.7	96.6
Other	37.0	43.3	37.9	25.9	46.1	15.9
<b>Total North America</b>	<b>2,596.1</b>	<b>3,010.7</b>	<b>2,491.5</b>	<b>2,553.5</b>	<b>2,187.6</b>	<b>2,062.7</b>
<b>Asia Pacific</b>						
Japan	308.8	109.6	360.4	103.4	271.6	118.7
China	74.6	0.9	119.6	1.0	53.4	0.5
Korea	24.0	195.2	29.5	135.9	31.7	159.3
Other	35.5	15.1	42.0	16.0	39.0	14.8
<b>Total Asia Pacific</b>	<b>442.9</b>	<b>320.8</b>	<b>551.5</b>	<b>256.3</b>	<b>395.7</b>	<b>293.3</b>
<b>Europe</b>						
Germany	117.6	49.0	101.8	45.9	88.7	53.4
France	72.6	75.8	85.0	58.8	76.5	50.4
United Kingdom	73.8	76.0	66.0	60.0	72.9	55.4
Other	109.3	22.5	100.3	26.8	106.0	22.2
<b>Total Europe</b>	<b>373.3</b>	<b>223.3</b>	<b>353.1</b>	<b>191.5</b>	<b>344.1</b>	<b>181.4</b>
<b>Latin America</b>						
Brazil	29.9	10.4	74.1	11.7	41.3	12.1
Other	10.9		18.4	0.4	11.7	0.4
<b>Total Latin America</b>	<b>40.8</b>	<b>10.4</b>	<b>92.5</b>	<b>12.1</b>	<b>53.0</b>	<b>12.5</b>
<b>All Other</b>	<b>30.9</b>	<b>22.0</b>	<b>28.2</b>	<b>8.5</b>	<b>43.6</b>	<b>8.5</b>
<b>Total</b>	<b>\$3,484.0</b>	<b>\$3,587.2</b>	<b>\$3,516.8</b>	<b>\$3,021.9</b>	<b>\$3,024.0</b>	<b>\$2,558.4</b>

(1) Excludes net assets of discontinued operations of \$357.6 million and \$364.0 million in 1997 and 1996, respectively, and deferred taxes of \$84.4 million, \$113.3 million and \$83.6 million in 1998, 1997 and 1996, respectively.

#### 4. Investments

##### Associated Companies at Equity, other than Dow Corning Corporation

Samsung Corning Company Ltd., a 50% owned South Korea-based manufacturer of glass panels and funnels for television and display monitors, represented \$174.4 million and \$134.1 million of Corning's investments accounted for by the equity method at year end 1998 and 1997, respectively.

The financial position and results of operations of Samsung Corning and Corning's other equity companies are summarized as follows:

	1998		1997		1996	
	Samsung Corning Co. Ltd.	Total Equity Companies	Samsung Corning Co. Ltd.	Total Equity Companies	Samsung Corning Co. Ltd.	Total Equity Companies
Net sales	\$ 884.1	\$ 1,652.9	\$ 997.4	\$ 1,808.1	\$ 794.9	\$ 1,593.3
Gross profit	239.6	571.7	265.8	637.9	192.8	554.7
Net income	77.8	224.8	63.6	177.7	54.6	208.3
Corning's equity in net income (1)	\$ 38.4	\$ 95.3	\$ 31.1	\$ 79.2	\$ 26.4	\$ 85.1
Current assets	\$ 362.6	\$ 647.8	\$ 371.9	\$ 775.4	\$ 328.1	\$ 661.3
Non-current assets	1,022.7	1,320.2	934.4	1,311.9	1,415.0	1,826.3
Current liabilities	\$ 369.7	\$ 532.9	\$ 291.0	\$ 537.0	\$ 446.3	\$ 647.6
Non-current liabilities	657.3	757.3	717.1	884.5	979.1	1,132.8

(1) Equity in earnings shown above and in the Consolidated Statements of Income are net of amounts recorded for income tax.

Dividends received from Samsung Corning and Corning's other equity companies totaled \$63.3 million, \$65.3 million and \$88.2 million in 1998, 1997 and 1996, respectively. At December 31, 1998, approximately \$262.4 million of equity in undistributed earnings of equity companies were included in Corning's retained earnings.

##### Dow Corning Corporation

Corning is a 50% owner of Dow Corning Corporation (Dow Corning), a manufacturer of silicones. The other 50% of Dow Corning is owned by The Dow Chemical Company (Dow Chemical).

On May 15, 1995, Dow Corning voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code as a result of several negative developments related to the breast implant litigation. At that time, Corning management believed it was impossible to predict if and when Dow Corning would successfully emerge from Chapter 11 proceedings. As a result, Corning recorded an after-tax charge of \$365.5 million to fully reserve its investment in Dow Corning and discontinued recognition of equity earnings from Dow Corning in 1995.

Dow Corning and the Committee of Tort Claimants, one of Dow Corning's Chapter 11 creditor committees, filed with the United States Bankruptcy Court (the Bankruptcy Court) a joint plan of reorganization on November 9, 1998 (the Joint Plan). After hearings held in early 1999, the Bankruptcy Court ruled in early February 1999 that the disclosure statement related to the Joint Plan was adequate to send to Dow Corning's creditors for consideration. In that ruling, the Bankruptcy Court indicated that the period for voting will extend through May 14, 1999 and hearings to confirm the Joint Plan are scheduled to begin on June 28, 1999. To become effective, the Joint Plan will require a favorable vote by many classes of creditors and final Bankruptcy Court approval after confirmation hearings. In addition, appeals of the Bankruptcy Court's confirmation order are possible. The recent developments, including the support of the Committee of Tort Claimants, tend to increase the probability that Dow Corning will successfully emerge from Chapter 11 proceedings, but the timing and eventual outcome of these proceedings is uncertain.

#### 4. Investments (continued)

If and when Dow Corning emerges from bankruptcy, Corning will likely begin to recognize equity earnings from Dow Corning. Corning does not expect to receive dividends from Dow Corning in the foreseeable future. As part of the Joint Plan, Corning and Dow Chemical have each agreed to provide a credit facility to Dow Corning of up to \$150 million (\$300 million in the aggregate), subject to the terms and conditions stated in the Joint Plan.

The financial position and results of operations of Dow Corning are summarized in the table below. The 1998 amounts are derived from Dow Corning's unaudited financial information and do not include the impact of charges, if any, which Dow Corning may take currently or in the future to reflect any additional financial impact of the Joint Plan. The amount of any such charge could have a material effect on Dow Corning's financial position and results of operations in the period or periods recorded.

	1998	1997	1996
Net sales	\$ 2,568.0	\$ 2,643.5	\$ 2,532.3
Gross profit	796.1	847.6	858.3
Net income	206.7	237.6	221.7
Current assets	\$ 1,355.2	\$ 1,378.8	\$ 1,524.7
Non-current assets	4,294.0	3,939.9	3,589.4
Current liabilities	\$ 527.3	\$ 489.8	\$ 480.5
Non-current liabilities	391.3	361.5	343.2
Liabilities subject to compromise (1)	3,492.6	3,441.1	3,452.1
Shareholders' equity	1,238.0	1,026.3	838.3

(1) Dow Corning's financial statements for 1998, 1997 and 1996 have been prepared in conformity with the American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," (SOP 90-7). SOP 90-7 requires a segregation of liabilities subject to compromise by the Bankruptcy Court as of the filing date (May 15, 1995) and identification of all transactions and events that are directly associated with the reorganization.

Dow Corning's 1998, 1997 and 1996 results have also been impacted by the suspension of interest payments and reorganization costs resulting from the Chapter 11 proceedings.

#### Other Investments

Corning's other investments include equity securities, which are classified as available-for-sale. At December 31, 1998, the fair value and cost of Corning's equity securities was \$53.1 million and \$54.7 million, respectively. The difference includes gross unrealized gains of \$0.3 million and gross unrealized losses of \$1.9 million. The fair value of Corning's equity securities was \$17.1 million at December 31, 1997 and approximated cost.

Proceeds from sales of marketable securities were \$5.0 million and \$17.4 million in 1998 and 1997, respectively, and related net realized gains included in income were \$0.3 million and \$11.4 million in 1998 and 1997, respectively. The net change in the unrealized loss on marketable securities classified as available-for-sale included as a component of accumulated other comprehensive income was \$1.6 million for the year ended December 31, 1998.

#### 5. Employee Retirement Plans

Corning has defined benefit pension plans covering certain domestic employees and employees in foreign countries. Corning's funding policy has been to contribute as necessary an amount determined jointly by Corning and its consulting actuaries, which provides for the current cost and amortization of prior service cost. Corning and certain of its domestic subsidiaries also offer defined benefit postretirement plans that provide health care and life insurance benefits for retirees and eligible dependents. Certain employees may become eligible for such postretirement benefits upon reaching retirement age. Corning's principal retiree medical plans require retiree contributions each year equal to the excess of medical cost increases over general inflation rates.

## 5. Employee Retirement Plans (continued)

The change in benefit obligation and funded status of Corning's employee retirement plans are as follows:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at beginning of year	\$ (1,246.0)	\$ (1,213.8)	\$ (520.7)	\$ (521.1)
Service cost	(22.4)	(19.1)	(9.6)	(8.4)
Interest cost	(95.0)	(88.1)	(40.2)	(37.0)
Plan participants' contribution	(2.5)	(2.0)	(1.5)	(1.4)
Amendments	(17.7)	(2.7)	(1.3)	
Curtailments	(21.9)		(8.7)	
Gain/(loss) from changes in actuarial assumptions	(166.9)	(16.9)	(44.1)	17.2
Experience loss	(43.2)		(42.0)	
Benefits paid	98.4	96.6	35.8	30.0
Benefit obligation at end of year	\$ (1,517.2)	\$ (1,246.0)	\$ (632.3)	\$ (520.7)
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 1,443.4	\$ 1,332.2	\$ -	\$ -
Actual return on plan assets	125.0	183.3		
Employer contribution	23.7	22.5	34.3	28.6
Plan participants' contributions	2.5	2.0	1.5	1.4
Benefits paid	(98.4)	(96.6)	(35.8)	(30.0)
Fair value of plan assets at end of year	\$ 1,496.2	\$ 1,443.4	\$ -	\$ -
Funded status				
Unrecognized transition amount	\$ (3.1)	\$ (10.0)		
Unrecognized prior service cost	109.8	121.4	(4.7)	(10.9)
Unrecognized net (gains)/losses from changes in actuarial assumptions	5.7	(203.3)	39.1	(33.2)
Recognized asset (liability)	\$ 91.4	\$ 105.5	\$ (597.9)	\$ (564.8)
Less current portion			38.1	31.0
Accrued postretirement liability			\$ (559.8)	\$ (533.8)

Defined benefit pension plan assets are comprised principally of publicly traded debt and equity securities. Corning common stock represented 3.5% and 3.1% of plan assets at year end 1998 and 1997, respectively. Corning has not funded its postretirement obligations.

## 5. Employee Retirement Plans (continued)

The weighted-average assumptions for Corning's employee retirement plans are as follows:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Discount rate	6.5%	7.5%	6.5%	7.5%
Expected return on plan assets	9.0%	9.0%		
Rate of compensation increase	4.0%	4.5%		

Corning's consolidated postretirement benefit obligation is determined by application of the terms of health care and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates. The health care cost trend rate for Corning's principal plan is assumed to be 8% in 1998 for covered individuals under age 65 decreasing gradually to 4.5% in 2010 and thereafter. For covered individuals over 65, the rate is assumed to be 7% in 1998 decreasing gradually to 4.5% in 2010 and thereafter.

Assumed health care trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in 1998 assumed health care trend rates would have the following effects:

	1-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ 3.7	\$ (3.4)
Effect on postretirement benefit obligation	47.8	(43.7)

The components of net periodic benefit cost for Corning's employee retirement plans are as follows:

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Service cost	\$ 22.4	\$ 19.1	\$ 17.4	\$ 9.6	\$ 8.4	\$ 8.5
Interest cost	95.0	88.1	84.2	40.2	37.0	37.0
Expected return on plan assets	(118.3)	(107.7)	(99.8)			
Amortization of transition asset	(0.6)	(0.7)	(0.8)		(0.2)	0.2
Amortization of net gain	1.8	3.8	1.7			
Amortization of prior service cost	13.1	11.7	10.5	(1.1)	(1.6)	(1.4)
Net periodic benefit cost	13.4	14.3	13.2	48.7	43.6	44.3
Recognition of curtailment and settlement (1)	14.2			0.5		
Recognition of special termination benefits (2)	7.5					
Total cost	\$ 35.1	\$ 14.3	\$ 13.2	\$49.2	\$43.6	\$44.3

(1) Included in the gain on sale of the consumer housewares business, which is recorded in income from discontinued operations.

(2) Included in the provision for restructuring.

Measurement of postretirement benefit expense is based on assumptions used to value the postretirement liability at the beginning of the year. Total consolidated pension expense, including defined contribution pension plans, was \$49.3 million in 1998, \$44.9 million in 1997 and \$41.7 million in 1996.

## 6. Taxes on Income

	1998	1997	1996
Income from continuing operations before taxes on income:			
U.S. companies	\$ 340.1	\$ 545.1	\$ 381.7
Non-U.S. companies	99.5	84.1	74.1
Income before taxes on income	\$ 439.6	\$ 629.2	\$ 455.8
Taxes on income from continuing operations	\$ 132.8	\$ 209.5	\$ 151.4
Effective tax rate reconciliation:			
Statutory U.S. tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.7	1.6	1.3
Foreign and other tax credits	(0.8)	(0.6)	(0.5)
Lower taxes on subsidiary earnings	(6.1)	(2.7)	(2.6)
Other	1.4		
Effective tax rate	30.2%	33.3%	33.2%
Components of net tax expense:			
Taxes on income from continuing operations	\$ 132.8	\$ 209.5	\$ 151.4
Taxes on equity in earnings	19.3	13.8	15.1
Tax benefits included in common shareholders' equity	(21.4)	(18.8)	(17.0)
Net tax expense before discontinued operations	130.7	204.5	149.5
Income tax expense from discontinued operations	76.6	17.7	19.6
Net tax expense	\$ 207.3	\$ 222.2	\$ 169.1
Current and deferred tax expense (benefit) before discontinued operations:			
Current:			
U.S.	\$ 69.7	\$ 139.1	\$ 64.1
State and municipal	8.0	20.1	11.0
Foreign	57.0	55.6	49.3
Deferred:			
U.S.	(4.1)	(11.2)	14.3
State and municipal	(1.3)	(4.2)	6.9
Foreign	1.4	5.1	3.9
Net tax expense before discontinued operations	\$ 130.7	\$ 204.5	\$ 149.5

## 6. Taxes on Income (continued)

The tax effects of temporary differences and carryforwards that gave rise to significant portions of the deferred tax assets and liabilities as of year end are comprised of the following:

	1998	1997
Postretirement medical and life benefits	\$ 235.0	\$ 230.1
Other employee benefits	46.0	49.0
Other accrued liabilities	27.6	11.5
Restructuring reserves	25.2	
Loss and tax credit carryforwards	50.6	44.5
Other	31.4	36.3
Gross deferred tax assets	415.8	371.4
Deferred tax assets valuation allowance	(33.8)	(22.0)
Deferred tax assets	382.0	349.4
Fixed assets	(136.7)	(107.3)
Pensions	(35.3)	(40.5)
Other	(19.4)	(20.9)
Deferred tax liabilities	(191.4)	(168.7)
Net deferred tax assets	\$ 190.6	\$ 180.7

The net change in the total valuation allowance for the years ended December 31, 1998, and 1997, was an increase of \$11.8 million and \$9.5 million, respectively.

Corning currently provides income taxes on the earnings of foreign subsidiaries and associated companies to the extent they are currently taxable or expected to be remitted. Taxes have not been provided on \$494.5 million of accumulated foreign unremitted earnings which are expected to remain invested indefinitely. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings; however, if these earnings were remitted, income taxes payable would be provided at a rate which is significantly lower than the effective tax rate.

Corning, as required, provided for tax on undistributed earnings of its domestic subsidiaries and affiliated companies beginning in 1993 even though these earnings have been and will continue to be reinvested indefinitely. Corning estimates that \$34.9 million of tax would be payable on pre-1993 undistributed earnings of its domestic subsidiaries and affiliated companies should the unremitted earnings reverse and become taxable to Corning. Corning expects these earnings to be reinvested indefinitely.

Total payments for taxes on income were \$184.3 million, \$209.4 million and \$120.1 million during 1998, 1997 and 1996, respectively. Deferred income tax benefits totaling \$106.2 million and \$67.4 million were included in other current assets at year end 1998 and 1997, respectively. At December 31, 1998, Corning had tax benefits attributable to loss carryforwards and credits aggregating \$50.6 million that expire at various dates through 2013.

## 7. Supplemental Income Statement Data

	1998	1997	1996
Depreciation expense	\$ 278.2	\$ 265.4	\$ 235.4
Amortization of goodwill and other intangible assets	19.8	20.5	16.9
Depreciation and amortization expense	\$ 298.0	\$ 285.9	\$ 252.3
Rental expense	\$ 54.0	\$ 47.6	\$ 36.5
Interest expense incurred	\$ 103.5	\$ 96.7	\$ 73.6
Interest capitalized	(46.8)	(24.7)	(16.4)
Interest expense, net	\$ 56.7	\$ 72.0	\$ 57.2
Interest paid	\$ 103.8	\$ 111.1	\$ 113.6

Consolidated interest expense allocated to discontinued operations totaled \$2.7 million, \$13.0 million and \$63.5 million in 1998, 1997 and 1996, respectively. The allocations were based on the ratio of net assets of discontinued operations to consolidated net assets.

## 8. Provision for Restructuring

In the second quarter of 1998, Corning recorded a restructuring charge of \$84.6 million (\$49.2 million after tax and minority interest). The charge is comprised of early retirement incentives and severance costs. The restructuring charge relates to approximately 650 employees, of which 610 have been terminated or notified of their termination at December 31, 1998. Corning anticipates that the workforce reductions will be substantially completed in the first half of 1999. As of December 31, 1998, \$23.3 million of the restructuring and severance related costs have been paid.

## 9. Supplemental Balance Sheet Data

	1998	1997
Inventories		
Finished goods	\$ 205.6	\$ 193.5
Work in process	104.9	107.3
Raw materials and accessories	96.7	84.3
Supplies and packing materials	70.6	64.0
Total inventories valued at current cost	477.8	449.1
Reduction to LIFO valuation	(19.1)	(20.8)
Inventories	\$ 458.7	\$ 428.3
Plant and Equipment		
Land	\$ 57.3	\$ 51.4
Buildings	944.1	842.6
Equipment	3,677.4	3,107.2
Accumulated depreciation	4,678.8	4,001.2
	(1,993.9)	(1,733.3)
Plant and equipment, net	\$ 2,684.9	\$ 2,267.9
Other Accrued Liabilities		
Taxes on income	\$ 159.7	\$ 112.9
Restructuring reserves	61.3	
Wages and employee benefits	157.0	180.0
Other liabilities	200.4	151.8
Other accrued liabilities	\$ 578.4	\$ 444.7

## 10. Loans Payable

	1998	1997
<b>Loans Payable</b>		
Current maturities of loans payable beyond one year	\$ 134.8	\$ 45.8
Other short-term borrowings	69.8	167.2
	<b>\$ 204.6</b>	<b>\$ 213.0</b>
<b>Loans Payable Beyond One Year</b>		
Notes, 7.78%, due 1998		\$ 6.9
Notes, 8.75%, due 1999	\$ 100.0	99.9
Series A senior notes, 7.99%, due 1999	12.0	24.0
Series B senior notes, 8.4%, due 2002	28.5	35.7
Debentures, 8.25%, due 2002	75.0	75.0
Debentures, 6%, due 2003	99.6	99.5
Debentures, 7% due 2007, net of unamortized discount of \$37.1 million in 1998 and \$39.3 million in 1997	62.9	60.7
Notes, 6.73%, due 2008	36.4	40.0
Notes, 6.83%, due 2009	30.0	30.0
Debentures, 6.75%, due 2013	99.6	99.5
Debentures, 8.875%, due 2016	74.5	74.5
Debentures, 8.875%, due 2021	74.9	74.9
Debentures, 7.625%, putable in 2004, due 2024	99.7	99.7
Medium-term notes, average rate 7.8%, due through 2025	265.0	265.0
Other, average rate 5.0%, due through 2031	75.0	86.3
	<b>1,133.1</b>	<b>1,171.6</b>
Less current maturities	134.8	45.8
	<b>\$ 998.3</b>	<b>\$ 1,125.8</b>

At December 31, 1998 and 1997, the weighted-average interest rate on short-term borrowings was 5.2% and 6.6%, respectively.

At December 31, 1998, loans payable beyond one year become payable:

2000 2004-2025	2001	2002	2003	
\$31.7	\$43.8	\$94.1	\$181.9	\$646.8

Based on borrowing rates currently available to Corning for loans with similar terms and maturities, the fair value of loans payable beyond one year was \$1.3 billion at year end 1998.

Unused bank revolving credit agreements in effect at December 31, 1998 provide for Corning to borrow up to \$825 million. The revolving credit agreements provide for borrowing of U.S. dollars and Eurocurrency at various rates. Corning also has the ability to issue up to \$375 million of medium and long-term debt through public offerings under existing shelf-registration statements filed with the Securities and Exchange Commission.

## 11. Convertible Monthly Income Preferred Securities

In July 1994, Corning and Corning Delaware L.P., a special purpose limited partnership in which Corning is the sole general partner, completed a public offering of 7.5 million shares of Convertible Monthly Income Preferred Securities (MIPS). The MIPS were guaranteed by Corning and convertible into Corning common stock at the rate of 1.534 shares of Corning common stock for each MIPS. On February 16, 1999, Corning Delaware issued a notice to all MIPS holders calling for the redemption of all MIPS. Holders of the MIPS have the option of either receiving \$51.80 in cash for each share, or converting them into Corning common stock, which had a fair market value after conversion of \$74.88 per share on February 16, 1999. Management expects that a majority of the MIPS holders will convert their preferred securities into Corning common stock.

Based on quoted market prices at December 31, 1998, the fair value of the preferred securities approximated \$523 million.

## 12. Convertible Preferred Stock

Corning has 10 million authorized shares of Series Preferred Stock, par value \$100 per share. Of the authorized shares, 2.4 million shares have been designated Series A Junior Participating Preferred Stock of which no shares have been issued.

At year end 1998, 1997 and 1996, 178,700, 198,100 and 222,000 shares of Series B Convertible Preferred Stock were outstanding, respectively. Each Series B share is convertible into 4.79 shares of Corning common stock and has voting rights equivalent to four common shares. The Series B shares were sold exclusively to the trustee of Corning's existing employee investment plans, based upon directions from plan participants. Participants may cause Corning to redeem the shares at 100% of par upon reaching age 55 or later, retirement, termination of employment or in certain cases of financial hardship. The Series B shares are redeemable by Corning at \$100 per share.

## 13. Common Shareholders' Equity

Corning has established the Corning Stock Ownership Trust (CSOT) to fund future employee purchases of common stock through its contributions to Corning's Investment and Employee Stock Purchase Plans (the Plans). Corning sold 4 million treasury shares to the CSOT. At December 31, 1998, 1.9 million shares remained in the CSOT. Shares held by the CSOT are not considered outstanding for earnings per common share calculations until released to the Plans. Corning and the trustee of the CSOT reached an agreement whereby the trustee waived its right to receive the Distribution of Quest Diagnostics and Covance and, in lieu thereof, received 400,000 additional shares of Corning common stock.

Corning repurchased approximately 2.0 million, 1.1 million and 2.2 million shares of its common stock in 1998, 1997 and 1996, respectively. All of the 1998, 1997 and approximately 1.3 million of the 1996 shares were repurchased pursuant to a systematic plan authorized by the Board of Directors. Corning's systematic plan is designed to provide shares for Corning's various employee benefit programs. The remainder of the 1996 stock repurchases were from employees to satisfy tax withholding requirements on shares issued under employee benefit plans.

In June 1996, the Board of Directors approved the renewal of the Preferred Share Purchase Right Plan which entitles shareholders to purchase one-hundredth of a share of Series A Junior Participating Preferred Stock upon the occurrence of certain events. In addition, the rights entitle shareholders to purchase shares of common stock at a 50 percent discount in the event a person or group acquires 20 percent or more of Corning's outstanding common stock. The preferred share purchase rights became effective July 15, 1996 and expire July 15, 2006.

Accumulated other comprehensive income at December 31, 1998 included unrealized losses on marketable securities of \$1.0 million, net of tax of \$0.6 million, and foreign currency translation adjustments of \$8.9 million. At December 31, 1996 and 1997, accumulated other comprehensive income included foreign currency translation adjustments of \$43.6 million and \$32.2 million, respectively.

## 14. Earnings Per Common Share

Basic earnings per share is computed by dividing net income, less dividends on Series B convertible preferred stock, by the weighted-average number of common shares outstanding during each period. Diluted earnings per share is computed by dividing net income, plus dividends on convertible preferred securities of subsidiary, by the weighted-average number of common shares outstanding during the period after giving effect to dilutive stock options and adjusted for dilutive common shares assumed to be issued on conversion of Corning's convertible securities.

A reconciliation of the basic and diluted earnings per share from continuing operations computations for 1998, 1997 and 1996 are as follows:

	For the years ended December 31,								
	1998			1997			1996		
	Income	Weighted-Average Shares (in millions)	Per Share Amount	Income	Weighted-Average Shares (in millions)	Per Share Amount	Income	Weighted-Average Shares (in millions)	Per Share Amount
Net income from continuing operations	\$327.5			\$408.9			\$323.3		
Less: Preferred stock dividends	(1.5)			(1.6)			(1.9)		
<b>Basic Earnings per Share</b>	<b>326.0</b>	<b>229.6</b>	<b>\$1.42</b>	<b>407.3</b>	<b>228.1</b>	<b>\$1.79</b>	<b>321.4</b>	<b>227.1</b>	<b>\$1.42</b>
Effect of Dilutive Securities Options		2.8			4.8			2.8	
Convertible preferred securities of subsidiary	13.7	11.5		13.7	11.5		13.7	9.6	
Convertible preferred stock				1.6	1.0				
<b>Diluted Earnings per Share</b>	<b>\$339.7</b>	<b>243.9</b>	<b>\$1.39</b>	<b>\$422.6</b>	<b>245.4</b>	<b>\$1.72</b>	<b>\$335.1</b>	<b>239.5</b>	<b>\$1.40</b>

In January 1997, the conversion rate of the convertible monthly income preferred shares was increased to recognize the effect of the Distributions of Quest Diagnostics and Covance.

At December 31, 1998 and December 31, 1996, 178,700 and 222,000 shares of Series B Convertible Preferred Stock were outstanding, respectively. Each Series B share is convertible into 4.79 shares of Corning common stock. These shares were not included in the calculation of diluted earnings per share due to the anti-dilutive effect they would have had on earnings per share if converted.

## 15. Stock Compensation Plans

At December 31, 1998, Corning's stock compensation plan includes the 1998 Employee Equity Participation Program, which covers 8.0 million shares. The 1998 Program and predecessor plans provide the authorization for Corning's common stock plans discussed below. No future awards or grants may be made under the predecessor plans except for currently outstanding rights. At December 31, 1998, 5.9 million shares were available for sale or grant under the 1998 Program. Proceeds from the sale of stock under the 1998 Program and predecessor plans are added to capital stock accounts.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123 "Accounting for Stock-Based Compensation" (FAS 123). This statement defines a fair value-based method of accounting for employee stock options and similar equity investments and encourages adoption of that method of accounting for employee stock compensation plans. However, it also allows entities to continue to measure compensation cost for employee stock compensation plans using the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Corning applies APB 25 accounting for its stock-based compensation plans. Compensation expense is recorded for awards of shares or share rights over the period earned. This plan resulted in compensation expense of \$4.6 million in 1998, \$29.2 million in 1997 and \$27.6 million in 1996.

## 15. Stock Compensation Plans (continued)

Corning has adopted the disclosure-only provisions of FAS 123. If Corning had elected to recognize compensation expense under FAS 123, Corning's net income in 1998, 1997 and 1996 would have decreased by \$9.0 million, \$5.3 million and \$2.0 million, respectively. Corning's diluted earnings per share amounts would have decreased by \$0.04 in 1998 and \$0.02 in 1997. Earnings per share amounts in 1996 would not have been affected.

The pro forma effect on net income for 1997 and 1996 may not be representative of the pro forma effect on net income of future years because the FAS 123 method of accounting for pro forma compensation expense has not been applied to options granted prior to January 1, 1995.

### Stock Option Plan

Non-qualified and incentive stock options to purchase unissued or treasury shares at the market price on the grant date generally become exercisable in installments from one to five years from the grant date. The maximum term of non-qualified and incentive stock options is 10 years from the grant date.

Transactions for the three years ended December 31, 1998 were:

	Number of Shares in Thousands	Weighted- Average Exercise Price
Options outstanding January 1, 1996	11,777	\$27.90
Options granted under Plan	763	34.54
Options exercised	(1,147)	13.52
Options terminated	(1,022)	31.40
Adjustment due to Distributions	908	
Options outstanding January 1, 1997	11,279	\$24.26
Options granted under Plan	929	41.10
Options exercised	(2,114)	15.82
Options terminated	(152)	25.93
Options outstanding January 1, 1998	9,942	\$26.83
Options granted under Plan	2,745	30.66
Options exercised	(888)	19.30
Options terminated	(112)	32.67
Options outstanding December 31, 1998	11,687	\$28.25

At the end of 1996, the number and exercise price of all options outstanding were adjusted for the Distributions of Quest Diagnostics and Covance. This adjustment increased the number of options outstanding by approximately 908,000 and decreased the exercise price of the options by approximately 18%.

For purposes of FAS 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rate of 4.4%, 6.4% and 6.6%; dividend yield of 1.7%, 1.6% and 2.3%; expected volatility of 29.0%, 25.0% and 24.5% and expected life of 6, 6 and 7 years.

The number of options exercisable and the corresponding weighted-average exercise price was 5.8 million and \$26.83 in 1998, 5.3 million and \$24.73 in 1997 and 6.5 million and \$23.11 in 1996. The weighted-average fair value of options granted was \$9.31 in 1998, \$14.45 in 1997 and \$10.77 in 1996.

## 15. Stock Compensation Plans (continued)

The following table summarizes information about stock options outstanding at December 31, 1998:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 1998 in Thousands	Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable at December 31, 1998 in Thousands	Weighted-Average Exercise Price	
\$ 3.49 to 25.28	2,119	3.5	\$19.69	2,119	\$19.69	
\$26.04 to 26.87	3,494	6.6	\$26.15	921	\$26.33	
\$28.02 to 32.14	3,284	8.4	\$28.54	1,064	\$29.37	
\$32.30 to 64.38	2,790	5.9	\$37.03	1,647	\$34.65	
	11,687	6.4	\$28.25	5,751	\$26.83	

### Incentive Stock Plans

The Incentive Stock Plan permits stock grants, either determined by specific performance goals or issued directly, in most instances, subject to the possibility of forfeiture and without cash consideration.

In 1998, 1997 and 1996, grants of 698,000, 999,000 and 340,000 shares, respectively, were made under this plan. In connection with the 1996 Distributions, approximately 280,000 additional shares were issued to employees in lieu of receiving the Distributions and approximately 180,000 shares were forfeited by employees of the Distributed companies. At December 31, 1998, there were no outstanding incentive rights. The weighted-average exercise price of the grants was \$33.52 in 1998, \$40.07 in 1997 and \$32.61 in 1996, respectively. A total of 2.8 million shares issued in prior years remain subject to forfeiture at December 31, 1998.

### Worldwide Employee Share Purchase Plan

In addition to the Stock Option Plan and Incentive Stock Plans, Corning has a Worldwide Employee Share Purchase Plan (WESPP). Under the WESPP, substantially all employees can elect to have up to 10% of their annual wages withheld to purchase Corning common stock. The purchase price of the stock is 85% of the lower of the beginning-of-quarter or end-of-quarter market price. The Corning Stock Ownership Trust is utilized to fund employee purchases of common stock under the WESPP.

## 16. Employee Stock Ownership Plan

Corning has established the Employee Stock Ownership Plan (ESOP) within its existing employee investment plans. At inception of the plan, Corning borrowed \$50 million and loaned the proceeds to the ESOP. The ESOP used the proceeds to purchase 4 million treasury shares. In 1998, Corning paid the remaining balance of the ESOP loan. Corning's receivable from the ESOP was \$2.9 million at the end of 1997 and is classified as unearned compensation in common shareholders' equity.

Contributions to the ESOP were \$3.0 million in 1998, \$7.0 million in 1997 and \$6.7 million in 1996. Dividends on unallocated shares reduced contribution requirements by \$0.2 million in 1997 and \$0.5 million in 1996. There were no dividends on unallocated shares in 1998. Interest costs amounted to \$0.1 million in 1998, \$0.8 million in 1997 and \$1.2 million in 1996. Shares held by the ESOP are included in weighted-average shares outstanding for earnings per share calculations. The trustee of the ESOP sold the shares of Quest Diagnostics and Covance that it received from the Distributions. The proceeds from the sale of these shares were used to purchase shares of Corning common stock.

## 17. Commitments, Contingencies, Guarantees and Hedging Activities

Minimum rental commitments under leases outstanding at December 31, 1998 are:

1999	2000	2001	2002	2003	2004-2019
\$43.2	\$37.5	\$29.8	\$23.5	\$20.2	\$117.2



## 17. Commitments, Contingencies, Guarantees and Hedging Activities (continued)

In January 1998, Corning completed a sale leaseback transaction related to certain equipment assets and resulted in gross proceeds of approximately \$95 million. Approximately \$80 million of the proceeds were invested with the counterparty to the lease. There was no material change to total long-term assets as a result of this transaction.

Payments pursuant to the operating lease are included above.

At December 31, 1998, future minimum lease payments to be received under a noncancelable sublease to Quest Diagnostics totaled \$67.4 million. Quest Diagnostics, in turn, has a noncancelable sublease covering approximately \$44.3 million of the minimum lease payments due to Corning. Corning has agreed to indemnify Quest Diagnostics should Quest Diagnostics' subleasee default on the minimum lease payments. Additionally, Corning continues to guarantee certain obligations of Quest Diagnostics totaling \$14.8 million.

Corning operates and conducts business in many foreign countries. As a result, there is exposure to potentially adverse movement in foreign currency rate changes. Corning enters into foreign exchange forward contracts with durations generally less than 12 months to reduce its exposure to exchange rate risk on foreign source income and purchases. The objective of these contracts is to neutralize the impact of foreign currency exchange rate movements on Corning's operating results.

The forward contracts require Corning to exchange currencies at rates agreed upon at the inception of the contract. The hedge contracts reduce the exposure to fluctuations in exchange rate movements because the gains and losses associated with foreign currency balances and transactions are generally offset with the gains and losses of the hedge contracts. Because the impact of movements in foreign exchange rates on forward contracts offsets the related impact on the underlying items being hedged, these financial instruments help alleviate the risk that might otherwise result from change in currency exchange rate fluctuations.

At December 31, 1998, Corning had foreign currency contracts to purchase approximately \$145.5 million U.S. dollars with a fair value of \$16.0 million. Of this amount, \$11.4 million is included in other current liabilities at December 31, 1998. These contracts are held by Corning and its subsidiaries and will mature at varying dates in 1999.

In December 1998, one of Corning's subsidiaries entered into financing agreements which provide for the sale of certain future yen based revenues, beginning in February 1999 and expiring in December 2001. These contracts require the counterparty to advance U.S. dollars in amounts up to \$10.1 million each month and Corning to repay the notes only to the extent of future yen denominated revenues. The obligations under these contracts are not cancelable by either party. Borrowings under the agreements bear interest at a premium to the Eurodollar rate. Transaction gains or losses related to these contracts are deferred and recognized as an adjustment to the revenue securing the note repayments. Borrowings are recorded on the balance sheet only to the extent they are outstanding. The cumulative borrowings anticipated between February 1999 and December 1999 approximate \$100 million with cumulative repayments approximating 1.1 billion yen. At December 31, 1998, the contracted value of these contracts was approximately \$3 million less than fair value.

The ability of certain subsidiaries and associated companies to transfer funds is limited by provisions of certain loan agreements and foreign government regulations. At December 31, 1998, the amount of equity subject to such restrictions for consolidated subsidiaries totaled \$43.8 million. While this amount is legally restricted, it does not result in operational difficulties since Corning has generally permitted subsidiaries to retain a majority of equity to support their growth programs. At December 31, 1998, loans of equity affiliates guaranteed by Corning totaled \$6.5 million.

Corning has agreed to indemnify Quest Diagnostics, on an after-tax basis, for the settlement of certain governmental claims pending at December 31, 1996. In addition, Corning, Quest Diagnostics and Covance have entered into tax indemnification and tax sharing agreements. Additional information on these indemnification agreements is presented in Note 18 of the Notes to Consolidated Financial Statements.

## 18. Discontinued Operations

On April 1, 1998, Corning completed the recapitalization and sale of a controlling interest in its consumer housewares business to an affiliate of Borden, Inc. Corning received cash proceeds of \$593 million and continues to retain an eight percent interest in the Corning Consumer Products Company. In addition, Corning could receive an additional payment of up to \$15 million if certain financial targets are met by Corning Consumer Products Company for the three year period 1998 - 2000.

## 18. Discontinued Operations (continued)

On December 31, 1996, Corning distributed all of the shares of Quest Diagnostics Incorporated (formerly Corning Clinical Laboratories Inc.) and Covance Inc. (formerly Corning Pharmaceutical Services Inc.) (the Distributions) (collectively, the Health Care Services Segment) to its shareholders on a pro rata basis. Prior to the Distributions, Corning received a ruling from the Internal Revenue Service that the Distributions were tax-free to Corning and its shareholders. As a result of the Distributions, Quest Diagnostics and Covance became independent, publicly traded companies.

Corning's shareholders' equity was reduced by \$1.1 billion, which represented Corning's investment in equity and intercompany debt of Quest Diagnostics and Covance on the date of the Distributions. Prior to the Distributions, Quest Diagnostics and Covance borrowed \$650 million from third-party lenders and repaid intercompany debt to Corning. Corning used the proceeds from the repayment of intercompany debt to repay approximately \$375 million of short-term borrowings and \$75 million of long-term debt.

Summarized results of Corning's discontinued operations are as follows:

	1998	1997	1996
Sales	\$ 116.8	\$ 574.8	\$ 1,145.8
Income (loss) before income taxes	\$ (0.9)	\$ 49.0	\$ 52.0
Income tax provision (benefit)	(0.3)	17.7	23.1
Income (loss) from operations, net of income taxes	(0.6)	31.3	28.9
Gain on sale of consumer housewares business, net of tax of \$75.8 million	67.1		
Provision for loss on Distribution, including income tax benefit of \$3.5 million			(176.5)
Minority interest in earnings of subsidiaries		(0.4)	(0.1)
Discontinued operations, net of income taxes	\$ 66.5	\$ 30.9	\$ (147.7)

The results of operations from the consumer housewares business are for the period through March 31, 1998. Discontinued operations in 1996 also include sales of \$515.0 million and income from operations of \$9.2 million for the Health Care Services Segment. Results of the discontinued businesses include allocations of consolidated interest expense totaling \$2.7 million, \$13.0 million and \$63.5 million in 1998, 1997 and 1996, respectively. The allocations were based on the ratio of net assets of discontinued operations to consolidated net assets.

The \$176.5 million provision for loss on Distributions includes after-tax charges of \$142.0 million recorded by Quest Diagnostics related to certain government investigations of billing practices of certain clinical laboratories.

Corning has agreed to indemnify Quest Diagnostics on an after-tax basis for the settlement of certain claims that were pending at December 31, 1996. Coincident with the Distributions, Corning recorded a reserve accrual of approximately \$25 million which is equal to management's best estimate of amounts, which are probable of being paid by Corning to Quest Diagnostics to satisfy the remaining indemnified claims on an after-tax basis.

Although management believes that established reserves for indemnified claims are sufficient, it is possible that additional information may become available to Quest Diagnostics' management, which may cause the final resolution of these matters to exceed established reserves by an amount which could be material to Corning's results of operations and cash flow in the period in which such claims are settled. Corning does not believe that these issues will have a material adverse impact on Corning's overall financial condition.

Corning Incorporated and Subsidiary Companies Schedule II - Valuation Accounts and Reserves

Year Ended December 31, 1998	Balance at 12-31-97	Additions	Net Deductions and Other	Balance at 12-31-98
Doubtful accounts and allowances	\$ 10.7	\$ 19.5	\$ 15.0	\$ 15.2
LIFO valuation	\$ 20.8	\$ 5.2	\$ 6.9	\$ 19.1
Deferred tax assets valuation allowance	\$ 22.0	\$ 11.8		\$ 33.8
Accumulated amortization of goodwill and other intangible assets	\$ 51.5	\$ 19.8	\$ 4.6	\$ 66.7
Reserves for accrued costs of business restructuring		\$ 84.6	\$ 23.3	\$ 61.3

Year Ended December 31, 1997	Balance at 12-31-96	Additions	Net Deductions and Other	Balance at 12-31-97
Doubtful accounts and allowances	\$ 14.2	\$ 17.5	\$ 21.0	\$ 10.7
LIFO valuation	\$ 27.4	\$ 1.0	\$ 7.6	\$ 20.8
Deferred tax assets valuation allowance	\$ 12.5	\$ 9.5		\$ 22.0
Accumulated amortization of goodwill and other intangible assets	\$ 35.0	\$ 20.4	\$ 3.9	\$ 51.5

Year Ended December 31, 1996	Balance at 12-31-95	Additions	Net Deductions and Other	Balance at 12-31-96
Doubtful accounts and allowances	\$ 11.5	\$ 18.0	\$ 15.3	\$ 14.2
LIFO valuation	\$ 31.2	\$ 2.0	\$ 5.8	\$ 27.4
Deferred tax assets valuation allowance	\$ 17.2		\$ 4.7	\$ 12.5
Accumulated amortization of goodwill and other intangible assets	\$ 24.5	\$ 16.5	\$ 6.0	\$ 35.0
Reserves for accrued costs of business restructuring	\$ 26.5		\$ 26.5	

**QUARTERLY OPERATING RESULTS AND RELATED MARKET DATA**

(unaudited)

(In millions, except per share amounts)

**Corning Incorporated and Subsidiary Companies**

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	\$ 803.9	\$ 888.4	\$ 918.3	\$ 961.5	\$ 3,572.1
Gross profit	280.1	325.5	356.4	368.1	1,330.1
Income from continuing operations before income taxes, minority interest and equity earnings	64.5	54.2	162.0	158.9	439.6
Taxes on income from continuing operations	(21.0)	(13.9)	(49.2)	(48.7)	(132.8)
Minority interest in earnings of subsidiaries	(5.5)	(12.8)	(20.3)	(22.3)	(60.9)
Dividends on convertible preferred securities of subsidiary	(3.4)	(3.5)	(3.4)	(3.4)	(13.7)
Equity in earnings of associated companies	27.5	32.7	15.3	19.8	95.3
Income from continuing operations	\$ 62.1	\$ 56.7	\$ 104.4	\$ 104.3	\$ 327.5
Income (loss) from discontinued operations, net of income taxes (1)	(0.6)	67.1			66.5
Net income	\$ 61.5	\$ 123.8	\$ 104.4	\$ 104.3	\$ 394.0
<b>Basic Earnings Per Share</b>					
Continuing operations	\$ 0.27	\$ 0.24	\$ 0.45	\$ 0.45	\$ 1.42
Discontinued operations (1)		0.30			0.29
Net income	\$ 0.27	\$ 0.54	\$ 0.45	\$ 0.45	\$ 1.71
<b>Diluted Earnings Per Share</b>					
Continuing operations	\$ 0.27	\$ 0.24	\$ 0.44	\$ 0.44	\$ 1.39
Discontinued operations (1)	(0.01)	0.29			0.28
Net income	\$ 0.26	\$ 0.53	\$ 0.44	\$ 0.44	\$ 1.67
Dividend declared	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.72
<b>Price range</b>					
High	\$ 44 1/4	\$ 43 1/2	\$ 35 1/4	\$ 45	-
Low	32 3/8	34	23 1/2	27 3/4	-
<b>1997</b>					
Revenues	\$ 827.0	\$ 914.6	\$ 901.3	\$ 911.4	\$ 3,554.3
Gross profit	341.4	390.2	367.0	375.9	1,474.5
Income from continuing operations before income taxes, minority interest and equity earnings	143.5	189.3	150.1	146.3	629.2
Taxes on income from continuing operations	(49.0)	(64.2)	(48.0)	(48.3)	(209.5)
Minority interest in earnings of subsidiaries	(12.5)	(20.8)	(22.9)	(20.1)	(76.3)
Dividends on convertible preferred securities of subsidiary	(3.4)	(3.5)	(3.4)	(3.4)	(13.7)
Equity in earnings of associated companies	6.8	24.2	31.0	17.2	79.2
Income from continuing operations	\$ 85.4	\$ 125.0	\$ 106.8	\$ 91.7	\$ 408.9
Income from discontinued operations, net of income taxes (1)	6.6	2.0	5.5	16.8	30.9
Net income	\$ 92.0	\$ 127.0	\$ 112.3	\$ 108.5	\$ 439.8
<b>Basic Earnings Per Share</b>					
Continuing operations	\$ 0.37	\$ 0.55	\$ 0.47	\$ 0.40	\$ 1.79
Discontinued operations (1)	0.03	0.01	0.02	0.07	0.13
Net income	\$ 0.40	\$ 0.56	\$ 0.49	\$ 0.47	\$ 1.92
<b>Diluted Earnings Per Share</b>					
Continuing operations	\$ 0.36	\$ 0.52	\$ 0.45	\$ 0.39	\$ 1.72
Discontinued operations (1)	0.03	0.01	0.02	0.07	0.13
Net income	\$ 0.39	\$ 0.53	\$ 0.47	\$ 0.46	\$ 1.85
Dividend declared	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.72
<b>Price range</b>					
High	\$ 46	\$ 56	\$ 65	\$ 49 1/4	-
Low	34	43 1/2	41	35 3/4	-

(1) Discontinued operations are described in Note 18 of the Notes to Consolidated Financial Statements.

## FIVE YEARS IN REVIEW - HISTORICAL COMPARISON

(In millions, except per share amounts)

### Corning Incorporated and Subsidiary Companies

	1998	1997	1996	1995	1994
<hr/>					
<b>Basic Earnings Per Share</b>					
Income (loss) from continuing operations	\$ 1.42	\$ 1.79	\$ 1.42	\$ (0.35)	\$ 0.89
Income (loss) from discontinued operations, net of income taxes	0.29	0.13	(0.66)	0.12	0.43
Net income (loss)	\$ 1.71	\$ 1.92	\$ 0.76	\$ (0.23)	\$ 1.32
<b>Diluted Earnings Per Share</b>					
Continuing operations	\$ 1.39	\$ 1.72	\$ 1.40	\$ (0.35)	\$ 0.88
Discontinued operations	0.28	0.13	(0.62)	0.12	0.42
Net income (loss)	\$ 1.67	\$ 1.85	\$ 0.78	\$ (0.23)	\$ 1.30
Dividends declared	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.69
Shares used in computing earnings per share					
Basic earnings per share	229.6	228.1	227.1	226.6	211.8
Diluted earnings per share	243.9	245.4	239.5	226.6	214.2
<hr/>					
<b>Operations</b>					
Net sales	\$ 3,484.0	\$ 3,516.8	\$ 3,024.0	\$ 2,644.7	\$ 2,367.5
Non-operating gains	39.7				
Research, development and engineering expenses	293.9	250.3	189.2	172.2	169.7
Provision for restructuring	84.6			26.5	
Taxes on income from continuing operations	132.8	209.5	151.4	107.3	86.6
Minority interest in earnings of subsidiaries	60.9	76.3	52.5	64.3	48.7
Dividends on convertible preferred securities of subsidiary	13.7	13.7	13.7	13.7	6.1
Equity in earnings (losses) of associated companies: Other than Dow Corning Corporation	95.3	79.2	85.1	66.6	48.5
Dow Corning Corporation				(348.0)	(2.8)
Income (loss) from continuing operations	\$ 327.5	\$ 408.9	\$ 323.3	\$ (77.3)	\$ 190.6
Income (loss) from discontinued operations, net of income taxes	66.5	30.9	(147.7)	26.5	90.7
Net Income (Loss)	\$ 394.0	\$ 439.8	\$ 175.6	\$ (50.8)	\$ 281.3
<hr/>					
<b>Financial Position</b>					
<b>Assets</b>					
Working capital	\$ 235.6	\$ 241.4	\$ 445.2	\$ 276.5	\$ 281.3
Investments:					
Other than Dow Corning Corporation	366.2	310.0	337.2	364.9	339.5
Dow Corning Corporation					341.8
Plant and equipment, net	2,684.9	2,267.9	1,808.6	1,438.7	1,334.9
Goodwill and other intangible assets, net	309.7	294.2	259.9	258.1	255.7
Net assets of discontinued operations		357.6	364.0	2,056.0	1,972.4
Total assets	\$ 4,981.9	\$ 4,691.9	\$ 4,183.4	\$ 5,334.5	\$ 5,365.5
<hr/>					
<b>Capitalization</b>					
Loans payable beyond one year	\$ 998.3	\$ 1,125.8	\$ 1,195.1	\$ 1,326.0	\$ 1,330.5
Other liabilities	674.1	627.5	597.8	587.4	564.5
Minority interest in subsidiary companies	346.1	349.3	309.9	269.2	244.5
Convertible preferred securities of subsidiary	365.2	365.3	365.1	364.7	364.4
Convertible preferred stock	17.9	19.8	22.2	23.9	24.9
Common shareholders' equity	1,505.6	1,246.5	961.1	2,103.0	2,263.0
Total capitalization	\$ 3,907.2	\$ 3,734.2	\$ 3,451.2	\$ 4,674.2	\$ 4,791.8
<hr/>					

**FIVE YEARS IN REVIEW - HISTORICAL COMPARISON (continued)**

(In millions, except number of employees and shareholders)

	1998	1997	1996	1995	1994
Selected Data					
Common dividends declared	\$ 166.8	\$ 166.2	\$ 165.3	\$ 165.2	\$ 150.1
Preferred dividends declared	\$ 1.5	\$ 1.6	\$ 1.9	\$ 2.0	\$ 2.1
Additions to plant and equipment	\$ 713.6	\$ 745.6	\$ 560.2	\$ 337.1	\$ 248.8
Depreciation and amortization	\$ 298.0	\$ 285.9	\$ 252.3	\$ 221.1	\$ 210.1
Number of employees (1)	15,400	16,100	15,300	12,800	17,000
Number of common shareholders	17,550	17,900	18,000	18,800	21,600

(1) Amounts do not include employees of discontinued operations.

## INVESTOR INFORMATION

### Annual Meeting

The annual meeting of shareholders will be held on Thursday, April 29, 1999, in Corning, NY. A formal notice of the meeting together with a proxy statement will be mailed to shareholders on or about March 18, 1999. A summary report of the proceedings at the annual meeting will be available without charge upon written request to Mr. A. John Peck Jr., vice president and secretary, Corning Incorporated, HQ-E2-A10, Corning, NY 14831.

### Additional Information

A copy of Corning's 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon written request to Mr. A. John Peck Jr., vice president and secretary, Corning Incorporated, HQ-E2-A10, Corning, NY 14831. The Annual Report on Form 10-K can also be accessed electronically through the Corning home page on the internet at <http://www.corning.com>.

### Investor Information

Investment analysts who need additional information may contact Ms. Katherine M. Dietz, director of Investor Relations, Corning Incorporated, HQ-E2-20, Corning, NY 14831; Telephone (607) 974-9000.

### Common Stock

Corning Incorporated common stock is listed on the New York Stock Exchange and the Zurich Stock Exchange. In addition, it is traded on the Boston, Midwest, Pacific and Philadelphia stock exchanges. Common stock options are traded on the Chicago Board Options Exchange. The abbreviated ticker symbol for Corning Incorporated is "GLW."

Convertible Monthly Income Preferred Securities Corning Delaware L.P. convertible monthly income preferred securities (MIPS) are listed on the New York Stock Exchange. The abbreviated ticker symbol for the Corning MIPS is "GLW pfM."

### Dividend Reinvestment

Corning's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Corning Incorporated common stock automatically, regularly and conveniently. In addition, participating shareholders may supplement the amount invested with voluntary cash investments. Plan participation is voluntary and shareholders may join or withdraw at any time.

Full details of the plan are available by writing to the Secretary of the company or to Harris Trust and Savings Bank at the address listed below. Be certain to include a reference to Corning Incorporated.

Transfer Agent, Registrar and Dividend Disbursing Agent Harris Trust and Savings Bank  
Shareholder Services Division  
P.O. Box 755  
Chicago, IL 60690-0755  
Telephone: (800) 255-0461  
<http://www.harrisbank.com>

For people with hearing impairments, Harris Bank has a Telecommunication Device for the Deaf (TDD) telephone. The listing is Harris Bank, Hearing Impaired Telephone, TDD (312) 461-5633 or TDD (312) 461-5637.

### Change of Address

Report change of address to Harris Trust and Savings Bank at the above address.

### Independent Accountants

PricewaterhouseCoopers LLP  
1301 Avenue of the Americas  
New York, NY 10019

## INVESTOR INFORMATION

(Continued)

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

The statements in this Annual Report which are not historical facts or information are forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause the outcome to be materially different. Such risks and uncertainties include, but are not limited to, global economic conditions, currency fluctuations, product demand and industry capacity, competitive products and pricing, manufacturing efficiencies, cost reductions, availability and costs of critical materials, new product development and commercialization, manufacturing capacity, facility expansions and new plant start-up costs, the effect of regulatory and legal developments, capital resource and cash flow activities, capital spending, equity company activities, interest costs, acquisition and divestiture activity, the rate of technology change, ability to enforce patents and other risks detailed in Corning's Securities and Exchange Commission filings.

**Corning Incorporated**

**RESTATED CERTIFICATE OF INCORPORATION  
Under Section 807 of the Business Corporation Law**

April 24, 1997

[Filed with Secretary of State of  
State of New York on  
November 19, 1998]

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**RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**CORNING INCORPORATED**

**Under Section 807 of the Business Corporation Law**

We, ROGER G. ACKERMAN and A. JOHN PECK, JR., being, respectively, the Chairman and the Secretary of Corning Incorporated, a corporation organized under the laws of the State of New York, DO HEREBY CERTIFY as follows:

FIRST: The name of the Corporation is Corning Incorporated.

SECOND: The Certificate of Incorporation of the Corporation (being the Preliminary Certificate of Consolidation Forming the Corporation) was filed in the office of the Secretary of State of the State of New York on December 24, 1936.

THIRD: The text of the Certificate of Incorporation of the Corporation, as amended heretofore, is hereby restated without further amendment to read as follows:

1. The name of the Corporation is Corning Incorporated.

2. The purposes for which the Corporation is to be formed are:

To make, manufacture, purchase, lease or otherwise acquire, dispose of or otherwise deal in and with glass, glassware, refractory, ceramic, plastic, wood and metal products, chemicals and related products, electrical, electronic and other related products, machinery, tools, materials and other articles and products, including those materials which are or may be necessary or useful for the manufacture of any of the products hereinbefore mentioned or in addition thereto; to conduct scientific and technological research; and to purchase, lease or otherwise acquire and to sell, dispose of or otherwise deal in and with any and all interest in real and personal property of any and all kinds, tangible or intangible, including patent rights, inventions, secret processes and other similar property.

3. In the absence of actual fraud or bad faith, no contract or transaction between the Corporation and any other association or corporation shall be affected by the fact that any of the directors or officers of this Corporation are interested in or are directors or officers of such other association or corporation, and any director or officer of this Corporation individually may be a party to or may be interested in any such contract or transaction of this Corporation and no such contract or transaction of this Corporation with any person or persons, firm, association or corporation shall be affected by the fact that any director or officer of this Corporation is a party to or interested in such contract or transaction or in any way connected with such person or persons, firm, association or corporation, and each and every person who may become a director or officer of this Corporation is hereby relieved from any liability that might otherwise exist from thus contracting with the Corporation for the benefit of himself or any person, firm, association or corporation in which he may be in anywise interested unless it be shown that he acted in the transaction in bad faith.

4. The total number of shares which the Corporation may henceforth have is 510,000,000, of which 10,000,000 shares are to have a par value of \$100 each and 500,000,000 are to have a par value of \$.50 each, which shares shall be classified as follows:

10,000,000 shares, of the par value of \$100 each, are to be Series Preferred Stock; and

500,000,000 shares, of the par value of \$.50 each, are to be Common Stock.

The relative voting, dividend, liquidation and other rights, preferences and limitations of the shares of each class are as follows:

I. The Preferred Stock may be issued from time to time in one or more series, each such series to have the number of shares and designation, and the shares of each such series to have such relative rights, preferences or limitations, as the Board of Directors, subject to the limitations prescribed by law or provided herein, may from time to time fix, before issuance, by delivering an appropriate certificate of amendment to the Department of State pursuant to the Business Corporation Law of the State of New York. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the fixing of the following:

- (a) The number of shares to constitute the series and the distinctive designation thereof;
- (b) The dividend rate on the shares of the series; whether dividends shall be cumulative, and, if so, from what date or dates;
- (c) Whether or not the shares of the series shall be redeemable and, if redeemable, the terms upon which the shares of the series may be redeemed and the premium, if any, over and above the par value thereof and any dividends accrued thereon which the shares of the series shall be entitled to receive upon the redemption thereof;
- (d) Whether or not the shares of the series shall be subject to the operation of a retirement or sinking fund to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking fund be established, the annual amount thereof and the terms and provisions relative to the operation thereof;
- (e) Whether or not the shares of the series shall be convertible into shares of any class or classes of stock of the Corporation, with or without par value, or of any other series of the same class and, if convertible, the conversion price or prices or the rate at which such conversion may be made and the method, if any, of adjusting the same;
- (f) The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation;
- (g) The restrictions, if any, on the payment of dividends upon, and the making of the distributions to any class of stock ranking junior to the shares of the series, and the restrictions, if any, on the purchase or redemption of the shares of any such junior class;
- (h) Whether the series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights; and
- (i) Any other relative rights, preferences and limitations of the series.

II. Holders of shares of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends at the rates fixed by the Board of Directors for the respective series, before any dividends shall be declared and paid, or set apart for payment, on any other class of stock of the Corporation ranking junior to the Preferred Stock either as to dividends or assets, with respect to the same dividend period.

III. Whenever, at any time, dividends on the then outstanding Preferred Stock as may be required by the terms of the certificate creating the series representing the shares outstanding shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock and after complying with all the provisions with respect to any retirement or sinking fund or funds for any series of Preferred Stock, the Board of Directors may, subject to the provisions of any certificate creating any series of Preferred Stock with respect to the payment of dividends on any other class or classes of stock, declare and pay dividends on the Common Stock, and the Preferred Stock shall not be entitled to share therein.

IV. Upon any liquidation, dissolution or winding-up of the Corporation, after payment, if any is required, shall have been made in full to the Preferred Stock as provided in any certificate creating any series thereof, but not prior thereto, the Common Stock shall, subject to the respective terms and provisions, if any, of any such certificate, be entitled to receive any and all assets remaining to be paid or distributed, and the Preferred Stock shall not be entitled to share therein.

V. No holder of Common Stock or any series of Preferred Stock shall, as such holder, have any preemptive or preferential right of subscription to any stock of any class of the Corporation or to any obligations convertible into any such stock or to any right of subscription to, or to any warrant or option for, the purchase of any stock, other than such, if any, as the Board of Directors of the Corporation in its discretion may determine from time to time.

VI. The holders of the Common Stock shall have the right to vote on all questions to the exclusion of all other classes of stock, except as by law expressly provided or as otherwise expressly provided with respect to the holders of any other class or classes of stock.

#### 4A. Series A Junior Participating Preferred Stock

(1) Designation and Amount. An aggregate of 2,400,000 shares of Series Preferred Stock, par value \$100, of the Corporation are hereby constituted as a series designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock").

(2) Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock or any similar stock ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (a) of this Section immediately after it declares a dividend or distribution of the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

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

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

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

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

(c) Except as set forth herein, holders of Series A Preferred Stock shall have no voting rights.

(4) Certain Restrictions.

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

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

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

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

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

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

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

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

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

(8) Redemption. The shares of Series A Preferred Stock shall not be redeemable.

(9) Rank. The Series A Preferred Stock shall rank junior with respect to the payment of dividends and the distribution of assets to all series of any class of Preferred Stock or any similar stock that specifically provide that they shall rank prior to the Series A Preferred Stock. Nothing herein shall preclude the Board from creating any series of Preferred Stock or any similar stock ranking on a parity with or prior to the Series A Preferred Stock as to the payment of dividends or the distribution of assets.

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

#### 4B. Series B Convertible Preferred Stock

(1) Designation and Amount; Special Purpose Restricted Transfer Issue.

(a) The shares of this series of Preferred Stock shall be designated as "Series B Cumulative Convertible Preferred Stock" ("Series B Preferred Stock") and the number of shares constituting such series shall be 316,822 with a par value of \$100 per share.

(b) Shares of Series B Preferred Stock shall be issued only to a trustee acting on behalf of an employee benefit plan of the Corporation. In the event of any transfer of shares of Series B Preferred Stock to any person other than any such plan trustee (including, without limitation, a transfer resulting from a distribution to participants of an employee benefit plan), the shares of Series B Preferred Stock so transferred, upon such transfer and without any further action by the Corporation or the holder, shall be automatically converted into shares of Common Stock of the Corporation, par value \$1 per share ("Common Stock"), on the terms otherwise provided for the conversion of shares of Series B Preferred Stock into shares of Common Stock pursuant to Section 5 hereof, and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to the shares of Series B Preferred Stock hereunder but, rather, shall have only the powers and rights pertaining to the shares of Common Stock into which such shares of Series B Preferred Stock shall have been so converted. The transferee of the shares of Series B Preferred Stock after such automatic conversion shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of Series B Preferred Stock have been automatically converted as at the date thereof; provided, however, that the pledge of Series B Preferred Stock by such an employee benefit plan of the Corporation shall not constitute a transfer for the purposes of this Section 1; provided, further, however, that any sale of, collection from or other realization upon any pledged shares of Series B Preferred Stock by a pledgee shall constitute a transfer for the purposes of this Section 1. Certificates representing shares of Series B Preferred Stock shall be legended to reflect the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of Series B Preferred Stock (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Corporation upon the terms and conditions provided by Sections 6, 7, and 8 hereof.

## (2) Dividends and Distributions.

(a)(i) The holders of the shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation out of funds legally available therefor, cumulative cash dividends ("Preferred Dividends") in an amount per share per annum equal to \$8.00.

(ii) Such amounts shall be payable quarterly in arrears, one-quarter on each of the 31st day of March, the 30th day of June, the 30th day of September and the 31st day of December of each year (or on the next succeeding Business Day (as defined herein) if such date is not a Business Day) (each a "Dividend Payment Date") commencing on December 31, 1989, to holders of record at the start of business on such Dividend Payment Date. Preferred Dividends shall begin to accrue on outstanding shares of Series B Preferred Stock from the date of issuance of such shares of Series B Preferred Stock. Preferred Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time, but Preferred Dividends accrued after the date of issuance thereof on the shares of Series B Preferred Stock for any period less than a full three-month period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accumulated but unpaid Preferred Dividends shall cumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(b) So long as any Series B Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the Series B Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the Series B Preferred Stock like dividends for all dividend payment periods of the Series B Preferred Stock ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accrued and unpaid through such dividend payment period on the Series B Preferred Stock and accrued and unpaid on such parity stock through the dividend payment period on such parity stock next preceding such dividend payment date. In the event that full cumulative dividends on the Series B Preferred Stock have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of, the purchase, redemption or other retirement of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Series B Preferred Stock until full cumulative dividends on the Series B Preferred Stock shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to

(i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Series B Preferred Stock, (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Series B Preferred Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (B) in exchange solely for shares of any other stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Series B Preferred Stock, or (iii) any payment made in respect of any redemption or purchase of Rights, as defined in paragraph (f) of Section 5 hereof, or any rights similar thereto.

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

(a) The holders of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation, voting together with the holders of Common Stock as one class. Each share of Series B Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Series B Preferred Stock could be converted on the record date of determining the stockholders entitled to vote, without rounding for fractional votes; it being understood that whenever the "Conversion Price" (as defined in Section 5 hereof) is adjusted as provided in Section 9 hereof, the voting rights of the Series B Preferred Stock shall also be similarly adjusted.

(b) Except as otherwise required by law or set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and holders of any other class or series of stock that may similarly be entitled to vote with the shares of Common Stock) for the taking of any corporate action. So long as any shares of Series B Preferred Stock are outstanding, the consent of the holders of at least a majority of the outstanding shares of Series B Preferred Stock, given in person or by proxy, either at a regular meeting or at a special meeting called for that purpose, at which the holders of Series B Preferred Stock shall vote separately as a series, shall be necessary for effecting, validating or authorizing any one or more of the following:

(i) the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, as amended, of the Corporation, or any amendment thereto or any other certificate filed pursuant to law (including any such alteration, amendment or repeal effected by any merger or consolidation to which the Corporation is a party) that would adversely affect any of the rights, powers or preferences of outstanding shares of Series B Preferred Stock; or

(ii) any merger or consolidation with or into, or any sale, transfer, exchange or lease of all or substantially all of the assets of the Corporation to, any other corporation, in either case that would adversely affect any of the rights, powers or preferences of outstanding shares of Series B Preferred Stock.

(4) Liquidation, Dissolution or Winding-Up.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Series B Preferred Stock shall be entitled to receive out of assets of the Corporation available for payment to stockholders and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, liquidating distributions in the amount of \$100 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution. If upon any liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the Series B Preferred Stock and any other stock ranking as to any such distribution on a parity with the Series B Preferred Stock are not paid in full, the holders of the Series B Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this Section 4(a), the holders of shares of Series B Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(b) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, transfer, exchange or lease of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this Section 4, but the holders of Series B Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(c) Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series B Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty days prior to any payment date stated therein, to the holders of Series B Preferred Stock, at the address shown on the books of the Corporation or the transfer agent for the Series B Preferred Stock; provided, however, that a failure to give notice as provided above or any defect therein shall not affect the Corporation's ability to consummate a voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

(5) Conversion into Common Stock.

(a) A holder of shares of Series B Preferred Stock shall be entitled, at any time prior to the close of business on any date fixed for redemption of such shares pursuant to Section 6, 7, or 8 hereof (whether or not such Series B Preferred Stock is subject to a notice of redemption), to cause any or all of such shares to be converted into fully paid and non-assessable shares of Common Stock, initially at a conversion ratio equal to the number derived by dividing \$100.00 by a denominator initially equal to \$50.00, which denominator shall be adjusted as provided in Section 9 hereof (such denominator, as it may be so adjusted, the "Conversion Price"). Whenever the Conversion Price shall be adjusted as provided in Section 9 hereof, the conversion ratio described above shall be correspondingly adjusted. In no event shall the Conversion Price be less than the aggregate amount necessary to constitute the par value of the shares of Common Stock into which a share of Series B Preferred Stock is convertible.

(b) Any holder of shares of Series B Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series B Preferred Stock being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the Series B Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the Series B Preferred Stock by the Corporation or the transfer agent for the Series B Preferred Stock, accompanied by written notice of conversion, on any date that is a Business Day in New York, New York. Such notice of conversion shall specify (i) the number of shares of Series B Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any shares of Series B Preferred Stock not to be so converted to be issued (subject to compliance with applicable legal requirements if any of such certificates are to be issued in a name other than the name of the holder), and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(c) Upon surrender of a certificate representing a share or shares of Series B Preferred Stock for conversion, the Corporation shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof, at the address designated by such holder, a certificate or certificates representing the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series B Preferred Stock, only part of which are to be converted, the Corporation shall issue and deliver to such holder or such holder's designee in the manner provided in the immediately preceding sentence a new certificate or certificates representing the number of shares of Series B Preferred Stock that shall not have been converted.

(d) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of Series B Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective upon the surrender by such holder or such holder's designee of the certificate or certificates for the shares of Series B Preferred Stock to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto). On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock of record on any date prior to such effective date. The Corporation shall not be obligated to pay any dividends that shall have been declared and shall be payable to holders of shares of Series B Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend is subsequent to the effective date of conversion of such shares.

(e) The Corporation shall not be obligated to deliver to holders of Series B Preferred Stock any fractional shares of Common Stock issuable upon any conversion of such shares of Series B Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in an amount equal to such fraction multiplied by the Fair Market Value per share of Common Stock (as defined in Section 9 hereof) at the close of business on the day of conversion, or in any other manner permitted by law.

(f) Whenever the Corporation shall issue shares of Common Stock upon conversion of shares of Series B Preferred Stock as contemplated by this Section 5, the Corporation shall issue, together with each such share of Common Stock, one right to purchase Series A Junior Participating Preferred Stock of the Corporation (or other securities in lieu thereof) pursuant to the Rights Agreement, dated as of July 2, 1986 (the "Rights Agreement"), between the Corporation and Chase Lincoln First Bank, N.A., as Rights Agent, as such Rights Agreement may from time to time be amended, or any similar rights issued to holders of Common Stock of the Corporation in addition thereto or in replacement therefor (such rights, together with any such additional or replacement rights, being collectively referred to as the "Rights"), whether or not such Rights shall be exercisable at such time, but only if such rights are issued and outstanding and held by other holders of Common Stock of the Corporation (or are evidenced by outstanding share certificates representing Common Stock) at such time and have not expired or been redeemed.

(g) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series B Preferred Stock as herein provided, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series B Preferred Stock, as herein provided, shares of Common Stock reacquired and held in the treasury of the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all applicable requirements as to registration or qualification of the Common Stock (and all requirements to list the Common Stock issuable upon conversion of Series B Preferred Stock that are at the time applicable), in order to enable the Corporation lawfully to issue and deliver to each holder of record of Series B Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series B Preferred Stock then outstanding and convertible into shares of Common Stock.

(6) Redemption at the Option of the Corporation.

(a) The Series B Preferred Stock shall be redeemable, in whole or in part, out of funds legally available therefor, at the option of the Corporation at any time after September 30, 1992, or on or before September 30, 1992, if permitted by paragraph (c) or (d) of this Section 6, at the following redemption prices per share:

During the Twelve- Month period Per Beginning October 1 ----- -----	Price  Share
1989.....	\$108.00
1990.....	\$107.00
1991.....	\$106.00
1992.....	\$105.00
1993.....	\$104.00
1994.....	\$103.00
1995.....	\$102.00
1996.....	\$101.00

and thereafter at \$100 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to and thereafter at \$100 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (e) of this Section 6. From and after the date fixed for redemption, dividends on shares of Series B Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the redemption price, provided that shares of Series B Preferred Stock may be converted pursuant to Section 5 hereof at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 6, 7 or 8 hereof. If less than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the Corporation shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(b) Unless otherwise required by law, notice of redemption will be sent to the holders of Series B Preferred Stock at the address shown on the books of the Corporation or any transfer agent for the Series B Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty, nor more than sixty days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of Series B Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred Stock on the date such notice is sent. Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the redemption price set forth in this Section 6.

(c) In the event (i) the Corporation terminates an employee benefit plan that holds Series B Preferred Stock as a result of the failure of the plan to obtain the approval of the Internal Revenue Service as a "qualified plan" under Section 401 of the Internal Revenue Code of 1986, as amended (the "Code"), under circumstances permitting a return of employer contributions under Section 403(c)(2)(B) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or (ii) the Corporation, in good faith after consultation with counsel to the Corporation, determines that the voting provisions contained herein are not in compliance with Rule 19c-4 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act"), the Corporation may, in its sole discretion and notwithstanding anything to the contrary herein, elect to redeem any or all of the shares of Series B Preferred Stock, out of funds legally available therefor, for the amount of \$100 per share plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and otherwise on the terms and conditions set forth in paragraphs (a) and (b) of this Section 6.

(d) Notwithstanding anything to the contrary in paragraph (a) of this Section 6, the Corporation may, in its sole discretion, elect to redeem any or all of the shares of Series B Preferred Stock at any time on or prior to September 30, 1992 on the terms and conditions set forth in paragraphs (a) and (b) of this Section 6, out of funds legally available therefor, if the last reported sales price, regular way, of a share of Common Stock, as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices in the over-the-counter market as reported by NASDAQ, for at least twenty trading days within a period of thirty consecutive trading days ending within five days of the notice of redemption, equals or exceeds one hundred fifty percent of the Conversion Price (after giving effect in making such calculation to any adjustments required by Section 9 hereof).

(e) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred Stock in cash or in shares of Common Stock, or in any combination of such shares and cash, with any such shares to be valued for such purpose at their Fair Market Value (as defined in paragraph (g) of Section 9 hereof; provided, however, that in calculating their Fair Market Value, the Adjustment Period shall be deemed to be the five consecutive trading days preceding the date of redemption), except that any payment required to be made under paragraph (c) of Section 8 hereof shall be made in cash.

#### (7) Other Redemption Rights.

Shares of Series B Preferred Stock shall be redeemed by the Corporation for cash or, if the Corporation so elects, in shares of Common Stock, or a combination of cash and such shares, with any such shares of Common Stock to be valued for such purpose as provided by paragraph (e) of Section 6 hereof, out of funds legally available therefor, at a redemption price of \$100 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time to time upon notice to the Corporation given not less than five business days prior to the date fixed by the holder in such notice for such redemption, when and to the extent necessary (i) for such holder to provide for distributions required to be made to participants under, or to satisfy an investment election provided to participants in accordance with, the provisions of an employee benefit plan of the Corporation pursuant to which the Series B Preferred Stock to be redeemed is held or (ii) for such holder to make payment of principal, interest or premium due and payable (whether as scheduled or upon acceleration) on indebtedness of the trust under such plan or any indebtedness incurred by the holder for the benefit of such plan (but only if necessary to remedy or prevent a default thereunder).

#### (8) Consolidation, Merger, etc.

(a) In the event that the Corporation shall consummate any consolidation, merger, reclassification or similar transaction, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including stock of the Corporation) that constitutes "qualifying employer securities" with respect to a holder of Series B Preferred Stock within the meaning of Section 407(d)(5) of ERISA, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, the shares of Series B Preferred Stock of such holder shall, in connection with such consolidation, merger, reclassification or similar transaction, be assumed by and shall become validly issued and authorized preferred stock of such successor or resulting company, having in respect of such company insofar as reasonably practicable the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series B Preferred Stock had immediately prior to such transaction, except that after such transaction each share of Series B Preferred Stock shall be convertible, otherwise on the same terms and conditions provided by Section 5 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of

election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the Series B Preferred Stock as preferred stock of such successor or resulting company shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as reasonably practicable to the adjustments provided for by such section prior to such transaction. The Corporation shall not consummate any such merger, consolidation, reclassification or similar transaction unless all then outstanding shares of Series B Preferred Stock shall become validly issued and authorized by the successor or resulting company as aforesaid.

(b) In the event that the Corporation shall consummate any consolidation, merger, reclassification or similar transaction, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock, securities or cash or any other property, or any combination thereof, other than any such consideration that is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series B preferred Stock shall, without any action on the part of the Corporation or any holder thereof (but subject to paragraph (c) of this Section 8), be automatically converted by virtue of such merger, consolidation, reclassification or similar transaction immediately prior to the consummation thereof into the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted at such time so that each share of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(c) In the event that the Corporation shall enter into any agreement providing for any consolidation, merger, reclassification or similar transaction described in paragraph (b) of this Section 8, then the Corporation shall, as soon as practicable thereafter (and in any event at least ten Business Days before consummation of such transaction), give notice of such agreement and the material terms thereof to each holder of Series B Preferred Stock and each such holder shall have the right to elect, by written notice to the Corporation, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Corporation or the successor of the Corporation, out of funds legally available therefor, in redemption and retirement of such Series B Preferred Stock and in lieu of what would otherwise result under paragraph (b) of this Section 8, a cash payment equal to the amount of \$100 per share plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. No such notice of redemption shall be effective unless given to the Corporation prior to the close of business on the fifth Business Day prior to consummation of such transaction, unless the Corporation or the successor of the Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the fifth Business Day prior to consummation of such transaction.

#### (9) Anti-dilution Adjustments.

(a) In the event the Corporation shall, at any time or from time to time, while any of the shares of the Series B Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock, to the extent that such dividend or distribution consists of shares of Common Stock,

(ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Corporation (excluding a recapitalization effected by a merger or consolidation to which

Section 8 hereof applies) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph 9(a) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of stockholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(b) In the event that the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Corporation, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any Rights (as defined in paragraph (f) of

Section 5 hereof) or any security convertible into or exchangeable for shares of Common Stock), such right or warrant by its terms enabling the holder thereof to acquire shares of Common Stock at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs

(e) and (f) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock that could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(c) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to the Rights Agreement or any other right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Fair Market Value of such shares on the date of such issuance, sale or exchange, then, subject to the provisions of paragraphs (e) and (f) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time to time, while any shares of Series B Preferred Stock are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any Rights, any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation) and other than pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, such right or warrant being issued for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs (e) and (f) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant plus (iii) the Fair Market Value at the time of such issuance of the consideration that the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock that could be acquired pursuant to such rights or warrants at the time of issuance, sale or exchange of such rights or warrants (assuming shares of Common Stock could be acquired pursuant to such rights or warrants at such time).

(d) In the event the Corporation shall, at any time or from time to time, while any of the shares of Series B Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (excluding a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof applies) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (e) and (f) of this Section 9, be adjusted by multiplying such Conversion Price by a fraction the numerator of which is the difference between (i) the product of (x) the number of shares of Common Stock outstanding immediately preceding such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution, or on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer that is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase that is not a tender offer or exchange offer, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (a) the number of shares of Common Stock outstanding immediately preceding such Extraordinary Dividend or Pro Rata Repurchase minus, in the case

of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (b) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution or on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer that is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase that is not a tender offer or exchange offer, as the case may be. The Corporation shall send each holder of Series B Preferred Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred Stock may be converted at such time.

(e) Notwithstanding any other provisions of this Section 9, the Corporation shall not be required to make any adjustment to the Conversion Price unless and until such adjustment would require an increase or decrease of at least two percent in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment that, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent in the Conversion Price. All adjustments shall be made to the nearest one hundredth of a share and the nearest cent.

(f) If the Corporation shall pay any dividend or make any distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Corporation may consider, but shall be under no legal obligation to consider, whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Corporation determines that an adjustment to the Conversion Price should be made, the Board of Directors shall take such action as it deems appropriate. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph (f) of Section 9, and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all stockholders of the Corporation. Without limiting the foregoing, the Corporation shall be entitled to make such additional adjustments in the Conversion Price, in addition to any made pursuant to the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Corporation, any subdivision, reclassification or combination of shares of stock of the Corporation or any recapitalization of the Corporation or other event shall not be taxable to holders of Common Stock.

(g) For purposes of this paragraph 4B, the following definitions shall apply:

"Business Day" shall mean each day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are authorized or required to be closed.

"Extraordinary Distribution" shall mean any dividend or other distribution to the holders of Common Stock (effected while any of the shares of Series B Preferred Stock are outstanding) (i) of cash, where the aggregate amount of such cash dividend or distribution, together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such pro Rata Repurchase that is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer that is a Pro Rata Purchase, or the date of purchase with respect to any other Pro Rata Repurchase that is not a tender offer or exchange offer made during such period), exceeds 12-1/2 percent of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the stockholders entitled to receive such Extraordinary Distribution and (ii) of any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in paragraph (b) or

(c) of this Section 9), evidences of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (d) of this Section 9 shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends that are not Extraordinary Distributions made during such twelve month period and not previously included in the calculation of any adjustment pursuant to paragraph (d) of this Section 9.

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issuer that are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for a given day shall mean the last reported sales price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked price on such day in the over-the counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Corporation or a committee thereof on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five consecutive trading days, selected by the Board of Directors of the Corporation or a committee thereof, during the 20 days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security that is not publicly traded or any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is, in the good faith judgment of the Board of Directors or such committee, available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

"Non-dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the difference between (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement (whether by the Corporation or otherwise) of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock that could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (ii) the aggregate amount payable to the Corporation pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of Series B Preferred Stock are outstanding pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph 9(g), shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 promulgated by the Securities and Exchange Commission under the Exchange Act, on the date shares of the Series B Preferred Stock are initially issued by the Corporation or on such other terms and conditions as the Board of Directors of the Corporation or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for Common Stock.

(h) Whenever an adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock is required pursuant to this paragraph 4B, the Corporation shall forthwith place on file with the transfer agent for the Common Stock and the Series B Preferred Stock, if there be one, and with the Secretary of the Corporation, a statement signed by two officers of the Corporation, stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted) of the Series B Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock, the Corporation shall mail a notice thereof and of the then-prevailing Conversion Price (and the resulting conversion ratio) to each holder of shares of the Series B Preferred Stock.

(10) Ranking; Attributable Capital and Adequacy of Surplus; Retirement of Shares.

(a) The Series B Preferred Stock shall rank senior to the Common Stock and to the Series A Junior Participating Preferred Stock, par value \$100 per share, of the Corporation as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding-up of the Corporation. The ranking of any subsequent series of Preferred Stock, par value \$100 per share, issued by the Corporation as compared to the Series B Preferred Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up of the Corporation shall be as specified in the Certificate of Incorporation, as amended, of the Corporation and, if appropriate, shall also be subject to the provisions of paragraph (b) of Section 3 hereof.

(b) The capital of the Corporation allocable to the Series B Preferred Stock for purposes of the New York Business Corporation Law (the "BCL") shall be \$100 per share. In addition to any vote of stockholders required by law, the vote of the holders of a majority of the outstanding shares of Series B Preferred Stock shall be required to increase the par value of the Common Stock or otherwise increase the capital of the Corporation allocable to the Common Stock for the purpose of the BCL if, as a result thereof, the surplus of the Corporation available for the declaration and payment of dividends for purposes of the BCL would be less than the amount of Preferred Dividends that would accrue on the then outstanding shares of Series B Preferred Stock during the following three years.

(c) Any shares of Series B Preferred Stock acquired by the Corporation by reason of the conversion or redemption of such shares as provided by this paragraph 4B, or otherwise acquired, shall be retired as shares of Series B Preferred Stock and restored to the status of authorized but unissued shares of Preferred Stock, par value \$100 per share, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

(11) Miscellaneous.

(a) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three business days after mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this paragraph 4B) with postage prepaid, addressed: (i) if to the Corporation, to its office at Corning, New York 14831 (Attention: the Secretary) or to the transfer agent for the Series B Preferred Stock, or other agent of the Corporation designated as permitted by this paragraph 4B or (ii) if to any holder of the Series B Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series B Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(b) The term "Common Stock" as used in this paragraph 4B means the Corporation's Common Stock, par value \$1 per share, as the same exists at the date of filing of a Certificate of Amendment to the Certificate of Incorporation of the Corporation relating to the Series B Preferred Stock or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 hereof, the holder of any share of the Series B Preferred Stock, upon thereafter surrendering such share for conversion, shall become entitled to receive any shares of other securities of the Corporation other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of shares of Series B Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 9 hereof, and the provisions of Sections 1 through 8 and 10 and 11 hereof with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(c) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series B Preferred Stock or shares of Common Stock or other securities issued on account of Series B Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series B Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series B Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of Corporation, that such tax has been paid or is not payable.

(d) In the event that a holder of shares of Series B Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series B Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the holder of such Series B Preferred Stock as shown on the records of the Corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(e) Unless otherwise provided in the Certificate of Incorporation, as amended, of the Corporation, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the shares of Series B Preferred Stock and any other stock ranking on a parity with the Series B Preferred Stock with respect to such dividend or distribution shall be made pro rata, so that amounts paid per share on the Series B Preferred Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the shares of the Series B Preferred Stock and such other stock bear to each other.

(f) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the Series B Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series B Preferred Stock.

#### 4C. Series C 6% Cumulative Convertible Preferred Stock

##### (1) Designation and Amount; Special Purpose; Restriction on Senior Series.

(a) The shares of this series of Preferred Stock shall be designated as "Series C 6% Cumulative Convertible Preferred Stock" (the "Series C Preferred Stock") and the number of shares constituting such series shall be 4,683,710 with a par value of \$100 per share.

(b) Shares of Series C Preferred Stock shall be issued only upon exchange of all of the 6% convertible subordinated debentures due July 21, 2024 of the Corporation (the "Subordinated Debentures") by Corning Delaware, L.P., a Delaware limited partnership ("Corning Delaware"), pursuant to a valid exchange election (the "Exchange Election") by the holders of a majority of the aggregate liquidation preference of preferred securities, liquidation preference of \$50 per security, of Corning Delaware (the "Corning Delaware Preferred Securities") then outstanding.

(c) So long as any Corning Delaware Preferred Securities are outstanding, the Corporation shall not issue any other class or series of capital stock ranking senior as to the payment of dividends or amounts upon liquidation, dissolution or winding-up to the Series C Preferred Stock without the approval of the holders of not less than 66 2/3% of the aggregate liquidation preference of the Corning Delaware Preferred Securities then outstanding.

##### (2) Dividends and Distributions.

(a)(i) The holders of shares of Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation out of funds legally available therefor, cumulative cash dividends in an amount per share per annum equal to \$6.00 (equivalent to a rate per annum of 6% of the stated liquidation preference of \$100 per share of Series C Preferred Stock), calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and for any period shorter than a full monthly dividend period, dividends will be computed on the basis of the actual number of days elapsed in such period, and payable in United States dollars monthly in arrears on the last day of each calendar month of each year.

(ii) Dividends, when, as and if declared by the Board of Directors of the Corporation out of funds legally available therefor, must be paid on the last day of each month. Such dividends will accrue and be cumulative whether or not they have been earned or declared and whether or not there are funds of the Corporation legally available for the payment of dividends. Dividends on the Series C Preferred Stock shall be cumulative from the date of the Exchange Election. Accrued but unpaid interest on the Subordinated Debentures, if any, on the date of the issuance of the Series C Preferred Stock in exchange for such Subordinated Debentures shall constitute, and be treated as, accumulated and unpaid dividends on the Series C Preferred Stock; provided, however, that the amount which shall constitute such accumulated and unpaid dividends on the Corning Series C Preferred Stock shall be neither less than nor greater than the amount of accumulated and unpaid dividends (including Additional Dividends), if any, on the Preferred Securities on the date of such Exchange Election. The record date for each dividend payment date shall be the Business Day (as defined below) immediately preceding such dividend payment date. In the event that any date on which dividends are payable on the Series C Preferred Stock is not a day other than a day on which banking institutions in the City of New York or Chicago are authorized or required by law to close (a "Business Day"), then payment of the dividend payable on such date will be made on the next succeeding

day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(b) In the event that full cumulative dividends on the Series C Preferred Stock have not been declared and paid or set apart for payment when due, then the Corporation shall not, and shall not permit any majority-owned subsidiary to, declare or pay any dividend on, or redeem, purchase, acquire for value or make a liquidation payment with respect to, any Junior Stock (other than as a result of a reclassification of Junior Stock or the exchange or conversion of one class or series of Junior Stock for another class or series of Junior Stock), or make any guarantee payments with respect to the foregoing (other than payments under the Guarantee or dividends or guarantee payments to Corning).

When dividends are not paid in full, all dividends declared upon the Series C Preferred Stock and all dividends declared upon any Pari Passu Stock (as defined herein) shall be declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series C Preferred Stock and accumulated and unpaid on such Pari Passu Stock. "Pari Passu Stock" means the Corporation's Series B Cumulative Convertible Preferred Stock, par value \$100 per share (the "Series B Preferred Stock"), and any preference stock or preferred stock of the Corporation, or any guarantee now or hereafter entered into by the Corporation in respect of any preferred or preference stock of any affiliate of the Corporation, ranking, in such case, as to the payment of dividends and amounts upon liquidation, dissolution and winding-up on a parity with the Series B Preferred Stock. "Junior Stock" means Common Stock, the Series A Preferred Stock, par value \$100 per share, of the Corporation and any other class or series of capital stock of the Corporation or any of its affiliates which by its express terms ranks junior in the payment of dividends or amounts upon liquidation, dissolution or winding-up to the Series C Preferred Stock.

### (3) Voting Rights.

(a) In the event that full cumulative dividends on the Series C Preferred Stock have not been paid for 18 monthly dividend periods, the number of directors of the Corporation constituting the entire Board of Directors shall be increased by two persons and the holders of the Series C Preferred Stock shall have the right to elect such persons to fill such positions at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Series C Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Series C Preferred Stock then outstanding shall have been paid and dividends thereon for the current monthly period shall have been paid or declared and set apart for payment, then the right of the holders of the Series C Preferred Stock to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends), and the terms of office of all persons elected as directors by the holders of the Series C Preferred Stock shall forthwith terminate and the number of directors of the Corporation constituting the entire Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of the Series C Preferred Stock, the Secretary of the Corporation may, and upon the written request of any holder of Series C Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the Series C Preferred Stock for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the by-laws for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of Series C Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books and records of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in place thereof if such office shall not have previously terminated as above provided. In case any vacancy shall occur among the directors elected by the holders of the Series C Preferred Stock, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the shareholders or special meeting held in place thereof upon the nomination of the then remaining director elected by the holders of the Series C Preferred Stock or the successor of such remaining director.

(b) Except as otherwise required by law or set forth herein, holders of Series C Preferred Stock shall have no special voting rights and their consent shall not be required for the taking of any corporate action. So long as any shares of Series C Preferred Stock are outstanding, the consent of the holders of not less than 66 2/3% of the outstanding shares of Series C Preferred Stock, given in person or by proxy either at a regular meeting or at a special meeting called for that purpose, at which the holders of Series C Preferred Stock shall vote separately as a series, shall be necessary for effecting, validating or authorizing any one or more of the following:

(i) the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, as amended, of the Corporation, or any amendment thereto or any other certificate filed pursuant to law (including any such amendment, alteration, or repeal effected by any merger or consolidation to which the Corporation is a party) that would adversely affect any of the rights, powers or preferences of outstanding shares of Series C Preferred Stock; provided, however, that the amendment of the provisions of the Certificate of Incorporation so as to authorize or create, or increase the authorized amount of, any Junior Stock or Pari Passu Stock shall not be deemed to affect adversely the voting powers, rights or preferences of the holders of the Series C Preferred Stock;

(ii) the creation of any shares of any class or series or any security convertible into shares of any class or series of capital stock ranking prior to the Series C Preferred Stock in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation or in the payment of dividends; or

(iii) any merger or consolidation with or into, or any sale, transfer, exchange or lease of all or substantially all of the assets of the Corporation to, any other corporation, in either case that would adversely affect any of the rights, powers or preferences of outstanding shares of Series C Preferred Stock.

#### (4) Redemption.

(a) The shares of Series C Preferred Stock are redeemable, at the option of the Corporation, in whole or in part from time to time, on or after August 5, 1998 during the twelve-month periods beginning on August 5 in each of the following years, at the following redemption prices (expressed as a percentage of liquidation preference), plus accumulated and unpaid dividends, whether or not earned or declared, to the date of redemption (the "Redemption Price"):

Date Price -----	Redemption
August 5, 1998	103.6%
August 5, 1999	103.0%
August 5, 2000	102.4%
August 5, 2001	101.8%
August 5, 2002	101.2%
August 5, 2003	100.6%
August 5, 2004 and thereafter	100.0%

From and after the date fixed for redemption, dividends on shares of Series C Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the Redemption Price, provided that shares of Series C Preferred Stock may be converted pursuant to Section 6 hereof at any time prior to the close of business on the date fixed for redemption of such shares. If less than all of the outstanding shares of Series C Preferred Stock are to be redeemed, the Corporation shall either redeem a portion of the shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(b) Unless otherwise required by law, notice of redemption will be sent to the holders of Series C Preferred Stock by first-class mail, postage prepaid, mailed not less than thirty, nor more than sixty days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of Series C Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the Redemption Price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the conversion price of a share of Series C Preferred Stock on the date such notice is sent. Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation on the date fixed for redemption and at the Redemption Price set forth in this Section 4.

#### (5) Liquidation, Dissolution or Winding-Up.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding-up or termination of the Corporation, the holders of Series C Preferred Stock at the time outstanding will be entitled to receive out of the net assets of the Corporation available for payment to stockholders and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the Series C Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up or termination of the Corporation, before any amount shall be paid or distributed with respect to any Junior Stock liquidating distributions in the amount of \$100 per share plus an amount equal to all accrued and unpaid dividends thereon (whether or not earned or declared) to the date fixed for distribution. If, upon any liquidation, dissolution or

winding-up or termination of the Corporation, the amounts payable with respect to the Series C Preferred Stock and any Pari Passu Stock are not paid in full, the holders of the Series C Preferred Stock and such Pari

Passu Stock shall share ratably in any distribution of assets based on the proportion of their full respective liquidation preference to the entire amount of unpaid liquidation preference. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this Section 5(a), the holders of shares of Series C Preferred Stock and Pari Passu Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(b) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, transfer, exchange or lease of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this Section 5.

(c) Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series C Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty days prior to any payment date stated therein, to the holders of Series C Preferred Stock, at the address shown on the books of the Corporation or the transfer agent for the Series C Preferred Stock; provided, however, that a failure to give notice as provided above or any defect therein shall not affect the Corporation's ability to consummate a voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

(6) Conversion Rights of Series C Preferred Stock.

(a) The shares of Series C Preferred Stock are convertible at any time at the option of the holder thereof into shares of Common Stock at the initial conversion price of \$39.00, subject to adjustment as provided in Section 7. For this purpose, each share of Series C Preferred Stock shall be taken at \$100.00.

(b) Holders of record of Series C Preferred Stock at the close of business on a dividend payment record date will be entitled to receive the dividend payable on such shares of Series C Preferred Stock on the corresponding dividend payment date notwithstanding the conversion thereof following such dividend payment record date. Except as provided in the immediately preceding sentence, the Corporation will make no payment or allowance for accumulated and unpaid dividends, whether or not in arrears, on converted shares of Series C Preferred Stock.

(c) No fractional shares of Common Stock will be issued as a result of conversion, but in lieu thereof, the Corporation shall pay a cash adjustment in an amount equal to the same fraction of the Closing Price (as hereinafter defined) on the date on which the certificate or certificates for such shares were duly surrendered for conversion, or, if such date is not a Trading Day (as hereinafter defined), on the next Trading Day.

(d) Shares of Series C Preferred Stock that have been called for redemption will not be convertible after the close of business on the second calendar day preceding the date fixed for redemption, unless the Corporation defaults in making payment of the amount payable upon such redemption.

(e) Any holder of shares of Series C Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series C Preferred Stock being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the Series C Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the Series C Preferred Stock by the Corporation or the transfer agent for the Series C Preferred Stock, accompanied by written notice of conversion, on any day that is a Business Day in The City of New York. Such notice of conversion shall specify (i) the number of shares of Series C Preferred Stock to be converted and the name or names in which such holder desires the certificate or certificates for Common Stock and for any shares of Series C Preferred Stock not to be so converted to be issued (subject to compliance with applicable legal requirements if any of such certificates are to be issued in a name other than the name of the holder), and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(f) Upon surrender of a certificate representing a share or shares of Series C Preferred Stock for conversion, the Corporation shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof, at the address designated by such holder, a certificate or certificates representing the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series C Preferred Stock, only part of which are to be converted, the Corporation shall issue and deliver to such holder or such holder's designee in the manner provided in the immediately preceding sentence a new certificate or certificates representing the number of shares of Series C Preferred Stock that shall not have been converted.

(g) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of Series C Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective upon the surrender by such holder or such holder's designee of the certificate or certificates for the shares of Series C Preferred Stock to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto). The person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of the close of business on the effective date of the conversion. No allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock of record as of any date prior to such effective date.

(h) Whenever the Corporation shall issue shares of Common Stock upon conversion of shares of Series C Preferred Stock as contemplated by this Section 6, the Corporation shall issue, together with each such share of Common Stock, one right to purchase Series A Junior Participating Preferred Stock of the Corporation (or other securities in lieu thereof) pursuant to the Amended Rights Agreement, dated as of October 4, 1989 (the "Rights Agreement"), between the Corporation and Harris Trust and Savings Bank, as Rights Agent, as such Rights Agreement may from time to time be amended, or any similar rights issued to holders of Common Stock of the Corporation in addition thereto or in replacement therefor (such rights, together with any additional or replacement rights, being collectively referred to as the "Rights"), whether or not such Rights shall be exercisable at such time, but only if such Rights are issued and outstanding and held by other holders of Common Stock of the Corporation (or are evidenced by outstanding share certificates representing Common Stock) at such time and have not expired or been redeemed.

(i) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series C Preferred Stock as herein provided, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series C Preferred Stock then outstanding. Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series C Preferred Stock, as herein provided, shares of Common Stock reacquired and held in the treasury of the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. All shares of Common Stock delivered upon conversion of the Series C Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all applicable requirements as to registration or qualification of the Common Stock (and all requirements to list the Common Stock issuable upon conversion of Series C Preferred Stock that are at the time applicable), in order to enable the Corporation lawfully to issue and deliver to each holder of record of Series C Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series C Preferred Stock then outstanding and convertible into shares of Common Stock.

#### (7) Adjustment of Conversion Price.

(a) Adjustment of Conversion Price. The conversion price at which a share of Series C Preferred Stock is convertible into Common Stock shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall pay or make a dividend or other distribution on any class or series of capital stock of the Corporation exclusively in Common Stock, the conversion price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution or exchange, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this subparagraph (i), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation. The Corporation shall not pay any dividend or make any distribution on shares of any class or series of capital stock of the Corporation exclusively in Common Stock held in the treasury of the Corporation.

(ii) In case the Corporation shall pay or make a dividend or other distribution on its Common Stock consisting exclusively of, or shall otherwise issue to all holders of its Common Stock, rights or warrants entitling the holders thereof to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights or warrants, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this subparagraph (ii), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation. The Corporation shall not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Corporation. In case any rights or warrants referred to in this subparagraph (ii) in respect of which an adjustment shall have been made shall expire unexercised within 45 days after the same shall have been distributed or issued by the Corporation, the conversion price shall be readjusted at the time of such expiration to the conversion price that would have been in effect if no adjustment had been made on account of the distribution or issuance of such expired rights or warrants.

(iii) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(iv) Subject to the last sentence of this subparagraph (iv), in case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any rights or warrants referred to in subparagraph (ii) of this Section 7(a), any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in subparagraph (i) of this Section 7(a)), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (iv) by a fraction of which the numerator shall be the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the date fixed for the payment of such distribution (the "Reference Date") less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), on the Reference Date, of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date. If the Board of Directors determines the fair market value of any distribution for purposes of this subparagraph (iv) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing the current market price per share of Common Stock pursuant to subparagraph (vii) of this Section 7(a). For purposes of this subparagraph (iv), any dividend or distribution that includes shares of Common Stock or rights or warrants to subscribe for or purchase shares of Common Stock shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, shares of capital stock, cash or assets other than such shares of Common Stock or such rights or warrants (making any conversion price reduction required by this subparagraph (iv)) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (making any further conversion price reduction required by subparagraph (i) or (ii) of this Section 7(a), except (A) the Reference Date of such dividend or distribution as defined in this subparagraph (iv) shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution," "the date fixed for the determination of stockholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of subparagraphs (i) and (ii) of this Section 7(a) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (i) of this Section 7(a).

(v) In case the Corporation shall pay or make a dividend or other distribution on its Common Stock exclusively in cash (excluding, in the case of any regular cash dividend on the Common Stock, the portion thereof that does not exceed the per share amount of the next preceding regular cash dividend on the Common Stock (as adjusted to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv), (v) and (vi) of this Section 7(a), or all of such regular cash dividend if the annualized amount thereof per share of Common Stock does not exceed 15% of the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the Trading Day (as defined in Section 7(e)) next preceding the date of declaration of such dividend), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (v) by a fraction of which the numerator shall be the current market price per share (determined as provided in subparagraph (vii) of this section 7(a)) of the Common Stock on the date fixed for the payment of such distribution less the amount of cash so distributed and not excluded as provided above applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the date fixed for payment of such distribution.

(vi) In case a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Corporation's Common Stock shall expire and such tender or exchange offer shall involve the payment by the Corporation or such subsidiary of consideration per share of Common Stock having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds 10% of the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the Trading Day next succeeding the Expiration Time, the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (vi) by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the current market price per share (determined as provided in subparagraph (vii) of this Section 7(a)) of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time. Notwithstanding anything contained in this Section 7(a)(vi) to the contrary, no adjustment shall be made to the conversion price in the case of a tender offer that complies with Rule 13e-4(h)(5) under the Exchange Act, or any successor rule thereto.

(vii) For the purpose of any computation under subparagraphs (ii),

(iv), (v) and (vi) of this Section 7(a), the current market price per share of Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices (as defined in Section 7(e)) for the five consecutive Trading Days selected by the Company commencing not more than 20 Trading Days before, and ending not later than, the earlier of the day in question and, if applicable, the day before the "ex" date with respect to the issuance or distribution requiring such computation; provided, however, that in each event another event occurs that would require an adjustment pursuant to subparagraph

(i) through (vi), inclusive, the Board of Directors may make such adjustments to the Closing Prices during such five Trading Day period as it deems appropriate to effectuate the intent of the adjustments in this Section 7(a), any such determination by the Board of Directors shall be set forth in a Board Resolution and shall be conclusive. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, and (2) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

(viii) The Corporation may make such reductions in the conversion price, in addition to those required by subparagraphs (i), (ii), (iii), (iv), (v) and (vi) of this Section 7(a), as it considers to be advisable to avoid or diminish any income tax holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. The Corporation from time to time may reduce the conversion price by any amount for any period of time if the period is at least twenty days, the reduction is irrevocable during the period, and the Board of Directors of the Corporation shall have made a determination that such reduction would be in the best interest of the Corporation, which determination shall be conclusive. Whenever the conversion price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the Series C Preferred Stock a notice of the reduction at least fifteen days prior to the date the reduced conversion price takes effect, and such notice shall state the reduced conversion price and the period it will be in effect.

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

(x) Whenever the conversion price is adjusted as herein provided:

(1) the Corporation shall compute the adjusted conversion price and shall prepare a certificate signed by the Treasurer of the Corporation setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the transfer agent for the Series C Preferred Stock; and

(2) a notice stating the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required such notice shall be mailed by the Corporation to all record holders of shares of Series C Preferred Stock at their last addresses as they shall appear upon the stock transfer books of the Corporation.

(b) Reclassification, Consolidation, Merger or Sale of Assets. In the event that the Corporation shall be a party to any transaction (including without limitation any recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), any consolidation of the Corporation with, or merger of the Corporation into, any other person, any merger of another person into the Corporation (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Corporation), any sale or transfer of all or substantially all of the assets of the Corporation or any compulsory share exchange (pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property), then lawful provisions shall be made as part of the terms of such transaction whereby the holder of each share of Series C Preferred Stock then outstanding shall have the right thereafter to convert such share only into

(i) in the case of any such transaction other than a Common Stock Fundamental Change (as defined in Section 7(e)), the kind and amount of securities, cash and other property receivable upon such transaction by a holder of the number of shares of Common Stock of the Corporation into which such share of Series C Preferred Stock could have been converted immediately prior to such transaction, after giving effect, in the case of any Non-Stock Fundamental Change, to any adjustment in the conversion price required by the provisions of Section 7(d), and (ii) in the case of a Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined pursuant to the provisions of Section 7(d). The Corporation or the person formed by such consolidation or resulting from such merger or which acquires such assets or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to establish such right. Such certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The above provisions shall similarly apply to successive transactions of the foregoing type.

(c) Prior Notice of Certain Events. In case:

(i) the Corporation shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend that would not require an adjustment pursuant to Section 7(a)(iv) or (v) or (2) authorize a tender or exchange offer that would require an adjustment pursuant to Section 7(a)(vi); or

(ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants; or

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger

to which the Corporation is a party and for which approval of any stockholders of the Corporation shall be required, or of the sale or transfer of all or substantially all of the assets of the Corporation or of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or other property; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation; then the Corporation shall cause to be filed with the transfer agent for the Series C Preferred Stock, and shall cause to be mailed to the holders of record of the Series C Preferred Stock, at their last addresses as they shall appear upon the stock transfer books of the Corporation, at least fifteen days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, repurchase, rights or warrants are to be determined or

(y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

(d) Adjustments in Case of Fundamental Changes. Notwithstanding any other provision in this Section 7 to the contrary, if any Fundamental Change (as defined in Section 7(e)) occurs, then the conversion price in effect will be adjusted immediately after such Fundamental Change as described below. In addition, in the event of a Common Stock Fundamental Change (as defined in Section 7(e)), each share of Series C Preferred Stock shall be convertible solely into common stock of the kind and amount received by holders of Common Stock as the result of such Common Stock Fundamental Change as more specifically provided in the following clauses (d)(i) and (d)(ii).

For purposes of calculating any adjustment to be made pursuant to this Section 7(d) in the event of a Fundamental Change, immediately after such Fundamental Change:

(i) in the case of a Non-Stock Fundamental Change (as defined in Section 7(e)), the conversion price of the Series C Preferred Stock shall thereupon become the lower of (A) the conversion price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to this Section 7, and (B) the result obtained by multiplying the greater of the Applicable Price (as defined in Section 7(e)) or the then applicable Reference Market Price (as defined in Section 7(e)) by a fraction of which the numerator shall be \$50.00 and the denominator shall be (x) the then-current Redemption Price per share of Series C Preferred Stock or (y) for any Non-Stock Fundamental Change that occurs before the Series C Preferred Stock becomes redeemable by the Corporation pursuant to Section 4, the applicable price per share set forth for the date of such Non-Stock Fundamental Change in the following table:

Date of Non-Stock Fundamental Change	Price
----- After date of original issuance of Series C Preferred Stock and \$53.00 on or before August 5, 1995	-----
After August 5, 1995, and on or before August 5, 1996 52.70	
After August 5, 1996, and on or before August 5, 1997 52.40	
After August 5, 1997, and on or before August 5, 1998 52.10	

plus, in any case referred to in this clause (y), an amount equal to all dividends on the Series C Preferred Stock accrued and unpaid thereon, whether or not earned or declared, to but excluding the date of such Non-Stock Fundamental Change; and

(ii) in the case of a Common Stock Fundamental Change, the conversion price of the Series C Preferred Stock in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to this Section 7, shall thereupon be adjusted by multiplying such conversion price by a fraction of which the numerator shall be the Purchaser Stock Price (as defined in Section 7(e)) and the denominator shall be the Applicable Price; provided, however, that in the event of a Common Stock Fundamental Change in which (A) 100% by value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or



other third party (and cash, if any, is paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock shall have been exchanged for, converted into or acquired for common stock (and cash with respect to fractional interests) of the successor, acquiror or other third party, the conversion price of the Series C Preferred Stock in effect immediately prior to such Common Stock Fundamental Change shall thereupon be adjusted by multiplying such conversion price by a fraction of which the numerator shall be one (1) and the denominator shall be the number of shares of common stock of the successor, acquiror, or other third party received by a stockholder for one share of Common Stock as a result of such Common Stock Fundamental Change.

(e) Definitions. The following definitions shall apply to terms used in this Section 7:

(i) "Applicable Price" shall mean (A) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by a stockholder for one share of Common Stock and (B) in the event of any other Non-Stock Fundamental Change or any Common Stock Fundamental Change, the average of the daily Closing Prices of the Common Stock for the ten consecutive Trading Days prior to and including the record date for the determination of the holders of Common Stock entitled to receive securities, cash or other property in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such securities, cash or other property, in each case, as adjusted in good faith by the Board of Directors of the Corporation to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv), (v) and (vi) of Section 7(a).

(ii) "Closing Price" of any common stock on any day shall mean the last reported sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way of the common stock in each case on the principal national securities exchange on which the Common Stock is traded, or if the Common Stock is not listed or traded on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc., or, if the common stock is not quoted or admitted to trading on such quotation system, on the quotation system on which the common stock is listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing bid and asked prices of the common stock in the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted reporting service, or, if not so available in such manner, as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Corporation for that purpose or, if not so available in such manner, as otherwise determined in good faith by the Board of Directors.

(iii) "Common Stock Fundamental Change" shall mean any Fundamental Change in which more than 50% by value (as determined in good faith by the Board of Directors of the Corporation) of the consideration received by holders of Common Stock consists of common stock that for each of the ten consecutive Trading Days referred to with respect to such Fundamental Change in Section 7(e)(1) above has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the National Market System of the National Association of Securities Dealers, Inc.; provided, however, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (A) the Corporation continues to exist after the occurrence of such Fundamental Change and the outstanding shares of Series C Preferred Stock continue to exist as outstanding shares of Series C Preferred Stock, or (B) not later than the occurrence of such Fundamental Change, the outstanding shares of Series C Preferred Stock are converted into or exchanged for shares of convertible preferred stock of a corporation succeeding to the business of the Corporation, which convertible preferred stock has powers, preferences and relative, participating, optional or other rights, and qualifications, limitations and restrictions, substantially similar to those of the Series C Preferred Stock.

(iv) "Fundamental Change" shall mean the occurrence of any transaction or event in connection with a plan pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitute solely the right to receive securities, cash or other property (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of a plan involving more than one such transaction or event, for purposes of adjustment of the conversion price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Corporation shall be exchanged for, converted into, or acquired for or constitute solely the right to receive securities, cash or other property, but the adjustment shall be based upon the highest weighted average of consideration per share which a holder of Common Stock could have received in such transactions or events as a result of which more than 50% of the Common Stock of the Corporation shall have been exchanged for, converted into, or acquired for or constitute solely the right to receive securities, cash or other property.

(v) "Non-Stock Fundamental Change" shall mean any Fundamental Change other than a Common Stock Fundamental Change.

(vi) "Purchaser Stock Price" shall mean, with respect to any Common Stock Fundamental Change, the average of the daily Closing Prices of the Common Stock received in such Common Stock Fundamental Change for the ten consecutive Trading Days prior to and including the record date for the determination of the holders of Common Stock entitled to receive such common stock, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such Common

Stock, in each case, as adjusted in good faith by the Board of Directors of the Corporation to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv), (v) and (vi) of Section 7(a);

(vii) "Reference Market Price" shall initially mean \$21.42 and in the event of any adjustment to the conversion price other than as a result of a Non-Stock Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the conversion price after giving effect to any such adjustment shall always be the same as the ratio of \$21.42 to the initial conversion price per share.

(viii) "Trading Day" shall mean a day on which securities are traded on the national securities exchange or quotation system or in the over-the-counter market used to determine the Closing Price.

(f) Dividend or Interest Reinvestment Plans. Notwithstanding the foregoing provisions, the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under any such plan, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any present or future employee benefit plan or program of the Corporation or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Subordinated Debentures were first issued, shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Corporation to which any of the adjustment provisions described above applies. There shall also be no adjustment of the conversion price in case of the issuance of any stock (or securities convertible into or exchangeable for stock) of the Corporation except as specifically described in this Section 7. If any action would require adjustment of the conversion price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value to holders of Series C Preferred Stock.

(g) Certain Additional Rights. In case the Corporation shall, by dividend or otherwise, declare or make a distribution on its Common Stock referred to in Section 7(a)(iv) or 7(a)(v) (including, without limitation, dividends or distributions referred to in the last sentence of Section 7(a)(iv)), the holder of each share of Series C Preferred Stock, upon the conversion thereof subsequent to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution and prior to the effectiveness of the conversion price adjustment in respect of such distribution, shall also be entitled to receive for each share of Common Stock into which such share of Series C Preferred Stock is converted, the portion of the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock; provided, however, that, at the election of the Corporation (whose election shall be evidenced by a resolution of the Board of Directors) with respect to all holders so converting, the Corporation may, in lieu of distributing to such holder any portion of such distribution not consisting of cash or securities of the Corporation, pay such holder an amount in cash equal to the fair market value thereof (as determined in good faith by the Board of Directors). If any conversion of a share of Series C Preferred Stock described in the immediately preceding sentence occurs prior to the payment date for a distribution to holders of Common Stock which the holder of the share of Series C Preferred Stock so converted is entitled to receive in accordance with the immediately preceding sentence, the Corporation may elect (such election to be evidenced by a resolution of the Board of Directors) to distribute to such holder a due bill for the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets to which such holder is so entitled, provided that such due bill (i) meets any applicable requirements of the principal national securities exchange or other market on which the Common Stock is then traded and (ii) requires payment or delivery of such shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets no later than the date of payment or delivery thereof to holders of shares of Common Stock receiving such distribution.

(8) Ranking; Attributable Capital and Adequacy of Surplus; Retirement of Shares.

(a) The Series C Preferred Stock shall rank senior to all shares of Junior Stock and pari passu with the Pari Passu Stock of the Corporation as to the payment of dividends and the amounts upon the liquidation, dissolution and winding-up of the Corporation. The ranking of any subsequent series of Preferred Stock, par value \$100 per share, issued by the Corporation as compared to the Series C Preferred Stock as to the payment of dividends and amounts upon the liquidation, dissolution or winding-up of the Corporation shall be as specified in the Certificate of Incorporation, as amended, of the Corporation and, if appropriate, shall also be subject to the provisions of Paragraph (b) of Section 2 hereof.

(b) The capital of the Corporation allocable to the Series C Preferred Stock for purposes of the New York Business Corporation Law (the "BCL") shall be \$100 per share.

(c) Any shares of Series C Preferred Stock acquired by the Corporation by reason of the conversion or redemption of such shares, or otherwise so acquired, shall be retired as shares of Series C Preferred Stock and restored to the status of authorized but

unissued shares of Preferred Stock, par value \$100 per share, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

(9) Miscellaneous.

(a) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three business days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this paragraph 4C) with postage prepaid, addressed:

(i) if to the Corporation, to its office at Corning, New York 14831 (Attention:

the Secretary) or to the transfer agent for the Series C Preferred Stock, or other agent of the Corporation designated as permitted by this paragraph 4C or

(ii) if to any holder of the Series C Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series C Preferred Stock or Common Stock, as the case may be), or

(iii) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(b) The term "Common Stock" as used in this paragraph 4C means the Corporation's Common Stock, par value \$0.50 per share, as the same exists at the date of filing of a Certificate of Amendment to the Certificate of Incorporation of the Corporation relating to the Series C Preferred Stock or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. However, subject to the provisions of Section 7(b), shares of Common Stock issuable on conversion of shares of Series C Preferred Stock shall include only shares of the class designated as Common Stock of the Corporation at the date of the filing of this instrument with the State of New York or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation and which are not subject to redemption by the Corporation; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of such classes resulting from all such reclassifications.

(c) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series C Preferred Stock or shares of Common Stock or other securities issued on account of Series C Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series C Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series C Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(d) In the event that a holder of shares of Series C Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series C Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the holder of such Series C Preferred Stock as shown on the records of the Corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(e) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the Series C Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series C Preferred Stock.

5. (a) The business and affairs of the Corporation shall be managed by a Board of Directors consisting of not less than nine nor more than twenty-four persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors; and such exact number shall be twenty-one unless otherwise determined by a resolution so adopted by a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of directors which the Corporation would have if there were no vacancies.

At the 1985 Annual Meeting of Stockholders, the directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1986 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1987 Annual Meeting of Stockholders and the terms of office of the third class to expire at the 1988 Annual Meeting of Stockholders. Commencing with the 1986 Annual Meeting of the Stockholders, directors elected to succeed those directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one.

(b) Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, vacancies in any class of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, if occurring prior to the expiration of the term of office of such class, be filled only by the affirmative vote of a majority of the remaining directors of the entire Board of Directors then in office, although less than a quorum, or by the sole remaining director. Any director so elected shall hold office until the next Annual Meeting of Stockholders and until his successor is elected and qualified.

(c) Whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by this paragraph 5 unless expressly otherwise provided by the resolution or resolutions providing for the creation of such series.

(d) Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (i) any director, or the entire Board of Directors, may be removed by the stockholders from office at any time prior to the expiration of his term of office, but only for cause, and only by the affirmative vote of the holders of record of outstanding shares representing a majority of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, and

(ii) any director may be removed from office by the affirmative vote of a majority of the entire Board of Directors, at any time prior to the expiration of his term of office, but only for cause.

(e) Notwithstanding any other provision of the Certificate of Incorporation and subject to the other provisions of this paragraph 5, the Board of Directors shall determine the rules and procedures that shall affect the directors' power to manage and direct the business and affairs of the Corporation. Without limiting the foregoing, the Board of Directors shall designate and empower committees of the Board of Directors, shall elect and empower the officers of the Corporation, may appoint and empower other officers and agents of the Corporation, and shall determine the time and place of, and the notice requirements for, Board meetings, as well as quorum and voting requirements for, and the manner of taking, Board actions.

(f) The affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend, alter or repeal, or adopt any provision or provisions inconsistent with, any provision of this paragraph 5 including this paragraph (f); provided, however, that this paragraph (f) shall not apply to, and such eighty percent (80%) vote shall not be required for, any amendment, alteration, repeal, or adoption of any inconsistent provision or provisions, declared advisable by the Board of Directors by the affirmative vote of two-thirds of the entire Board of Directors.

## 6. (1) Certain Definitions.

For the purposes of this paragraph 6:

(a) "Business Combination" shall mean:

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

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$20,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$20,000,000 or more; or

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

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (A) any class of equity securities of the Corporation or any Subsidiary or (B) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates; or

(vi) any agreement, contract or other arrangement providing for any one or more of the actions specified in clauses (i) through (v) of this Section 1(a).

(b) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on January 1, 1985.

(c) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1985.

(d) "Continuing Director" shall mean (i) any member of the Board of Directors of the Corporation who (a) is neither the Interested Stockholder involved in the Business Combination as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (b) was a member of the Board of Directors of the Corporation prior to the time that such Interested Stockholder became an Interested Stockholder, (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Corporation, and

(iii) any person who is elected to the Board of Directors of the Corporation at the 1985 Annual Meeting of Stockholders and any successor thereto who is recommended or elected by the affirmative vote of a majority of the Continuing Directors then on the Board of Directors of the Corporation.

(e) "Fair Market Value" shall mean: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange--Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any similar inter-dealer quotation system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the continuing Directors in good faith.

(f) "Interested Stockholder" shall mean any Person (other than the Corporation or any Subsidiary) who or which:

(i) is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner of 10% or more of the voting power of the then outstanding Voting Stock of the Corporation; or

(ii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Stockholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Corporation shall include unissued shares of Voting Stock of the Corporation of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

(g) A "Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14(d) (2) of the Exchange Act.

(h) "Subsidiary" shall mean any corporation of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding shares of Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Corporation is the Beneficial Owner but, except for the purposes of Section 1(f), shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Corporation.

(i) "Voting Stock" shall mean outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of directors.

#### (2) Higher Vote for Business Combinations.

In addition to any affirmative vote required by law or by this Certificate of Incorporation, and except as otherwise expressly provided in Section 3 of this paragraph 6, any Business Combination shall require the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of the then outstanding shares of Voting Stock of the Corporation, voting together as a single class, it being understood that, for purposes of this paragraph 6, each share of the Voting Stock of the Corporation shall have the number of votes granted to it pursuant to paragraph 4 of this Certificate of Incorporation. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

#### (3) When Higher Vote is Not Required.

The provisions of Section 2 of this paragraph 6 shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, of the stockholders as is required by law and any other provision of this Certificate of Incorporation, if the conditions specified in either of the following paragraphs (a) and (b) are met:

(a) Approval by Continuing Directors. The Business Combination shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

(b) Form of Consideration, Price and Procedure Requirements. All of the following conditions shall have been met:

(i) With respect to each share of each class of Voting Stock of the Corporation (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination (the "Consummation Date"), consideration, in the form specified in Section 3 (b)

(ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

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

(b) the Fair Market Value per share of such class of Voting Stock of the Corporation on the Announcement Date; and

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

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Corporation (including Common Stock) as described in Section 3(b)(i) hereof shall be in cash or if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted in whole or in part of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Corporation has been made with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date of such Business Combination: (a) except as approved by the affirmative vote of a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding preferred stock of the Corporation, if any; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock ) except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (c) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Corporation except as part of the transaction which results in such an Interested Stockholder becoming an Interested Stockholder.

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

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Corporation at least 45 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

#### (4) Powers of Continuing Directors.

A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this paragraph 6, including, without limitation, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether the requirements of paragraph B of Section 3 have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$20,000,000 or more; and the good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this paragraph 6.

#### (5) No Effect on Fiduciary Obligations.

(a) Nothing contained in this paragraph 6 shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

(b) The fact that any Business Combination complies with the provisions of Section 3 of this paragraph 6 shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

#### (6) Amendment or Repeal.

The affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding Voting Stock of the Corporation shall be required to amend, alter or repeal, or adopt any provision or provisions inconsistent with, any provision of this paragraph 6; provided, however, that this Section 6 shall not apply to, and such eighty percent (80%) vote shall not be required for, any amendment, alteration, repeal or adoption of any inconsistent provision or provisions, declared advisable by the Board of Directors by the affirmative vote of two-thirds of the entire Board of Directors and a majority of the Continuing Directors.

7. A director of the Corporation shall not be liable to the Corporation or its stockholders for damages for any breach of duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Business Corporation Law as the same exists or may hereafter be amended. Any repeal or modification of this paragraph 7 by the stockholders of the Corporation shall not affect adversely any right or protection of a director of the Corporation existing at the time of such repeal or modification.

8. The office of the Corporation shall be located in the City of Corning, Steuben County, New York, and the address within the State to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served upon him is Administration Headquarters, Houghton Park, Corning, New York, Attention of the Secretary.

9. The Secretary of State of the State of New York is designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served.

FOURTH: This restatement of the Certificate of Incorporation of the Corporation was authorized by resolutions duly adopted by the Board of Directors of the Corporation at a meeting thereof duly called and held on April 24, 1997 at which a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have signed this Certificate this 9 day of November, 1998.

**ROGER G. ACKERMAN**

**Chairman**

**A. JOHN PECK, JR.**

**Secretary**

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**STATE OF NEW YORK**

ss:

**COUNTY OF STEUBEN**

ROGER G. ACKERMAN and A. JOHN PECK, JR., being severally duly sworn, say, and each for himself says, that the said Roger G. Ackerman is the Chairman and the said A. John Peck, Jr. is the Secretary of Corning Incorporated, which is a corporation organized under the laws of the State of New York and is the corporation described in the foregoing Certificate; that they have read the said Certificate and know the contents thereof and that the same is true to their own knowledge.

**ROGER G. ACKERMAN**

**Chairman**

**A. JOHN PECK, JR.**

**Secretary**

Subscribed and sworn to before  
me this 9th day of November, 1998

**MARIA A. FELDMAN**

**Maria A. Feldman**

Notary Public, State of New York  
Qualified in Chemung County No. 01FE4999311 My Commission Expires May 11, 2000

**Item 14(c) Exhibit #12**

**Corning Incorporated and Subsidiary Companies Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends:  
(Dollars in millions, except ratios)**

	Fiscal Year Ended				
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1995	Jan. 1, 1995
Income from continuing operations before taxes on income	\$ 439.6	\$ 629.2	\$ 455.9	\$ 389.4	\$ 286.3
Adjustments:					
Share of earnings (losses) before taxes of 50% owned companies	173.3	111.5	130.3	95.2	89.0
Earnings (losses) before taxes of greater than 50% owned unconsolidated subsidiary			0.7	(3.1)	(4.0)
Distributed income of less than 50% owned companies and share of loss if debt is guaranteed	(1.1)				2.1
Amortization of capitalized interest	14.4	16.6	11.8	9.6	13.3
Fixed charges net of capitalized interest	126.8	141.9	105.9	82.6	128.8
	-----	-----	-----	-----	-----
Earnings before taxes and fixed charges as adjusted	\$ 753.0	\$ 899.2	\$ 704.6	\$ 573.7	\$ 515.5
	=====	=====	=====	=====	=====
Fixed charges:					
Interest incurred	\$ 103.5	\$ 96.7	\$ 73.6	\$ 65.4	\$ 64.9
Share of interest incurred of 50% owned companies and interest on guaranteed debt of less than 50% owned companies	45.4	51.0	38.7	10.2	60.8
Interest incurred by greater than 50% owned unconsolidated subsidiary				0.7	0.8
Portion of rent expense which represents interest factor	18.0	15.9	12.1	13.3	10.8
Share of portion of rent expense which represents interest factor for 50% owned companies	5.0	3.8	1.4	2.7	9.4
Portion of rent expense which represents interest factor for greater than 50% owned unconsolidated subsidiary					0.1
Amortization of debt costs	2.9	1.6	2.2	(0.1)	0.6
	-----	-----	-----	-----	-----
Total fixed charges	174.8	169.0	128.0	92.2	147.4
Capitalized interest	(48.0)	(27.1)	(22.1)	(9.6)	(18.6)
	-----	-----	-----	-----	-----
Total fixed charges net of capitalized interest	\$ 126.8	\$ 141.9	\$ 105.9	\$ 82.6	\$ 128.8
	=====	=====	=====	=====	=====
Preferred dividends:					
Preferred dividend requirements	\$ 15.3	\$ 15.3	\$ 15.7	\$ 15.7	\$ 8.2
Ratio of pre-tax income to income before minority interest and equity earnings	1.4	1.5	1.5	1.4	1.4
	-----	-----	-----	-----	-----
Pre-tax preferred dividend requirement	21.4	23.0	23.6	22.0	11.5
	-----	-----	-----	-----	-----
Total fixed charges	174.8	169.0	128.0	92.2	147.4
	-----	-----	-----	-----	-----
Fixed charges and pre-tax preferred dividend requirement	\$ 196.2	\$ 192.0	\$ 151.6	\$ 114.2	\$ 158.9
	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred dividends	3.8x	4.7x	4.7x	5.0x	3.2x
	=====	=====	=====	=====	=====

Item 14(c) Exhibit #21

Corning Incorporated and Subsidiary Companies

Subsidiaries of the Registrant as of December 31, 1998 are listed below:

No.	Name	Percentage of Corp. voting securities owned by (Corp. No.)	
1.	Corning Incorporated (New York)		
2.	Corning Brasil Industria E Comercio Ltda. (Brazil)	100.00	(1)
3.	Corning Incorporated Foreign Sales Corporation (Virgin Islands)	83.40	(1)
		8.30	(43)
		8.30	(95)
4.	Corning International Corporation (Delaware)	100.00	(1)
5.	Corning Developments, Inc., (Delaware)	100.00	(4)
6.	Corning S.A. (France)	99.82	(4)
7.	Corning Glass Taiwan Co., Ltd. (Taiwan)	100.00	(4)
8.	Corning GmbH (Germany)	100.00	(4)
9.	Corning India Private Ltd. (India)	99.90	(4)
		.10	(10)
10.	Corning (H.K.) Ltd. (Hong Kong)	100.00	(4)
11.	Wislan S.A. (Uruguay)	100.00	(4)
12.	Corning Japan K.K. (Japan)	79.05	(4)
13.	Corning Limited (United Kingdom)	100.00	(4)
14.	Corning Mexicana, S.A. de C.V. (Mexico)	100.00	(4)
15.	Teddington Company Limited (Bermuda)	100.00	(4)
16.	Corning International K.K. (Japan)	100.00	(1)
17.	Nutrisearch Biosystems Limited (United Kingdom)	100.00	(1)
18.	Corning Asahi Corporation (Delaware)	51.00	(1)
19.	Components Incorporated (Delaware)	100.00	(1)
20.	Corning Asahi Video Products Company (Partnership) (Delaware)	51.00	(1)
21.	Corning Consumer Products Company (Delaware)	8.00	(1)
22.	Corning Brasil - Vidros Especiais Ltda. (Brazil)	100.00	(1)
23.	Costar Europe Ltd. (Delaware)	100.00	(1)
24.	Corning Costar Italia, s.r.l. (Italy)	100.00	(1)
25.	Costar/Nuclepore Canada, Inc. (Canada)	100.00	(1)
26.	Corning Costar France, SA (France)	99.80	(1)
27.	Corning Delaware, L.P. (Delaware)	100.00	(1)
28.	OCWC Corporation (Delaware)	100.00	(1)
29.	Siecor Corporation (Delaware)	50.00	(1)
30.	Siecor Brands, Inc. (Delaware)	100.00	(29)
31.	Siecor Technology, Inc. (Delaware)	100.00	(29)
32.	Corning Optical Fiber, Inc. (Delaware)	100.00	(4)
33.	Optical Fibers (Partnership) (United Kingdom)	50.00	(32)
		50.00	(13)
34.	Siecor Finance, Inc. (Delaware)	100.00	(29)
35.	Siecor Operations, L.L.C. (North Carolina)	99.99	(29)
		.01	(39)
36.	Cable Services, Inc. (Delaware)	100.00	(29)
37.	Siecor Mexico S.A. de C.V. (Mexico)	99.99	(29)
		.01	(39)
38.	Siecor Dominican Republic, Inc. (Delaware)	100.00	(29)
39.	Siecor International Corporation (North Carolina)	100.00	(29)

**Item 14(c) Exhibit #21 (continued)**

Subsidiaries of the Registrant as of December 31, 1998 are listed below:

No.	Name	Percentage of Corp. voting securities owned by (Corp. No.)	
40.	Siecor International Corporation (Virgin Islands)	100.00	(29)
41.	Siecor Puerto Rico, Inc. (Delaware)	100.00	(29)
42.	Siecor, Ltd. (Cayman Islands)	100.00	(29)
43.	U.S. Precision Lens, Inc. (Ohio)	100.00	(1)
44.	Corning Korea Company Ltd. (Korea)	100.00	(4)
45.	Quanterra Incorporated (Delaware)	100.00	(1)
46.	Corning OOO (Russia)	100.00	(4)
47.	Corning OCA Corporation (Delaware)	100.00	(1)
48.	Omega One Communications, L.L.C. (Delaware)	66.00	(1)
Companies accounted for under the cost and equity methods:			
49.	EuroKera S.N.C. (France)	49.90	(6)
50.	Keraglass S.N.C. (France)	49.90	(6)
51.	Samcor Glass Limited (India)	40.00	(6)
		5.00	(69)
52.	Samara Optical Cable Company, Ltd. (Russia)	49.00	(4)
53.	Biccor (Holdings) Limited (Cayman Islands)	40.00	(4)
54.	Biccor (Singapore) Pte. Ltd. (Singapore)	100.00	(53)
55.	BICC UCOM Co. Ltd. (Thailand)	65.00	(54)
56.	Siecor GmbH (Germany)	50.00	(8)
57.	Siecor GmbH & Co. KG (Germany)	50.00	(8)
58.	International Hau-Mei Glass Engineering Co., Ltd. (Peoples Republic of China)	50.00	(4)
59.	Optical Waveguides Australia Pty. Ltd. (Australia)	50.00	(4)
60.	Pittsburgh Corning Europe N.V. (Belgium)	50.00	(4)
61.	Deutsche Pittsburgh Corning GmbH (Germany)	100.00	(60)
62.	Pittsburgh Corning France SARL (France)	100.00	(60)
63.	Pittsburgh Corning GmbH (Austria)	100.00	(60)
64.	Pittsburgh Corning Nederland B.V. (Netherlands)	100.00	(60)
65.	Pittsburgh Corning Scandinavia AB (Sweden)	100.00	(60)
66.	Pittsburgh Corning (Schweiz) A.G. (Switzerland)	100.00	(60)
67.	Pittsburgh Corning (U.K.) Ltd. (United Kingdom)	99.00	(60)
68.	Shanghai Corning Engineering Corporation Ltd. (Peoples Republic of China)	50.00	(4)
69.	Samsung Corning Co. Ltd. (Korea)	50.00	(4)
70.	Samsung Corning Company (Malaysia) SDN BHD	70.00	(69)
71.	Samsung Corning (Deutschland) GmbH (Germany)	100.00	(69)
72.	Tianjin Samsung Corning Co. Ltd. (Peoples Republic of China)	100.00	(69)
73.	N-Cor, Ltd. (Japan)	50.00	(16)
74.	Cormetech, Inc. (Delaware)	50.00	(1)
75.	American Video Glass Company (Partnership) (Delaware)	50.00	(18)
76.	Corporate Venture Partners (Delaware)	26.58	(1)
77.	Samsung Corning Precision Glass Co., Ltd. (Korea)	50.00	(4)
		40.00	(69)
78.	Corsam Glasstec R&D Center (Delaware)	50.00	(1)
		50.00	(69)
79.	Samsung Video Glass America (California)	39.00	(69)
80.	RWC - Siecor (Malaysia) SDN BHD (Malaysia)	49.00	(42)

**Item 14(c) Exhibit #21 (continued)**

Subsidiaries of the Registrant as of December 31, 1998 are listed below:

No.	Name	Percentage of Corp. voting securities owned by (Corp. No.)	
81.	Video Monitores de Mexico, S.A. de C.V. (Mexico)	43.75	(79)
		10.00	(4)
		2.50	(18)
82.	Shanghai Walsin Electric Cable & Wire Co., Ltd. (Peoples Republic of China)	10.00	(4)
83.	Video Servicios de Mexico, S.A. de C.V. (Mexico)	99.998	(81)
		00.002	(14)
84.	Dow Corning Corporation (Michigan)	50.00	(1)
85.	Eurokera North America, Inc. (Delaware)	50.00	(1)
86.	Fiber Sensys, Inc. (Oregon)	46.97	(1)
87.	Pittsburgh Corning Corporation (Pennsylvania)	50.00	(1)
88.	U.S. Conec, Ltd. (Delaware)	50.00	(29)
89.	Iwaki Glass Co., Ltd. (Japan)	3.00	(4)
90.	Shum Yip Tamy Limited (Hong Kong)	60.00	(69)
91.	Shenzhen SEG Samsung Glass Co., Ltd. (Peoples Republic of China)	21.37	(90)
92.	OF LLC (Partnership) (Delaware)	50.00	(1)

Summary financial information on Corning's equity basis companies is included in Note 4 (Investments), appearing on pages 33 and 34, in this Annual Report on Form 10-K.

**Item 14(c) Exhibit #23**

**Consent of Independent Accountants**

**PricewaterhouseCoopers LLP**

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-8 (Nos. 2-77248, 33-12605, 33-30575, 33-30815, 33-47133, 33-50201, 33-55345, 33-58193, 33-63887, 33-18329, 33-3036, 333-24337, 333-26049, 333-26151, 333-61975, 333-61979 and 333-61983) and Form S-3 (Nos. 33-40956, 33-44295, 33-49903, 33-53821 and 33-56887) of Corning Incorporated of our report dated January 25, 1999, appearing on page 21 of this Form 10-K.

*/s/ PricewaterhouseCoopers  
LLP  
1301 Avenue of the Americas  
New York, New York 10019*

February 23, 1999

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 10th day of February, 1999.

*/s/ Roger G.  
Ackerman*

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*(Roger G. Ackerman)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 12th day of February, 1999.

*/s/ Van C.  
Campbell*  
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*(Van C. Campbell)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ Norman E.  
Garrity*

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*(Norman E. Garrity)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ John W.  
Loose*

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*(John W. Loose)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 12th day of February, 1999.

*/s/ James R.  
Houghton*

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*(James R. Houghton)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 12th day of February, 1999.

*/s/ Robert  
Barker*

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*(Robert Barker)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 18th day of February, 1999.

*/s/ John Seely  
Brown*

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*(John Seely Brown)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 12th day of February, 1999.

*/s/ John H.  
Foster*

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*(John H. Foster)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ Gordon  
Gund*

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*(Gordon Gund)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 16th day of February, 1999.

*/s/ John M.  
Hennessy*

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*(John M. Hennessy)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 17th day of February, 1999.

*/s/ James W.  
Kinnear*

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*James W. Kinnear)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ James J.  
O' Connor*

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*(James J. O' Connor)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ Catherine A.  
Rein*

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*(Catherine A. Rein)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ Henry  
Rosovsky*

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*(Henry Rosovsky)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 10th day of February, 1999.

*/s/ H. Onno  
Ruding*

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*(H. Onno Ruding)*

**CORNING INCORPORATED**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS that the undersigned Director and/or Officer of CORNING INCORPORATED, a New York corporation, hereby constitutes and appoints Katherine A. Asbeck, Van C. Campbell, William D. Eggers and James B. Flaws, or any of them, his true and lawful attorney-in-fact and agent, in the name and on behalf of the undersigned, to do any and all acts and things to comply with the Securities and Exchange Act of 1934, as amended, and any and all rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Securities and Exchange Act of 1934 of the Annual Report on Form 10-K of Corning Incorporated for the fiscal year ended December 31, 1998, including specifically, but without limiting the generality of the foregoing, the power and authority to sign on behalf of the undersigned in his capacity as Director and/or Officer of Corning Incorporated the appropriate signature pages of said Annual Report on Form 10-K to be filed with the Securities and Exchange Commission; and the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any one of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents this 9th day of February, 1999.

*/s/ William D.  
Smithburg*

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*(William D. Smithburg)*

The following exhibits are included only in copies of the 1998 Annual Report on Form 10-K filed with Securities and Exchange Commission.

Exhibit #3(i)	Restated Certificate of Incorporation dated April 24, 1997
Exhibit #3(ii)	By-Laws of Corning Incorporated, as amended and effective as of October 6, 1998
Exhibit #24	Powers of Attorney
Exhibit #27	Financial Data Schedule

Copies of these exhibits may be obtained by writing to Mr. A. John Peck Jr., secretary, Corning Incorporated, MP-HQ-E2-10, Corning, New York 14831.

**ARTICLE 5**

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1997
PERIOD END	DEC 31 1998
EXCHANGE RATE	1
CASH	12,200
SECURITIES	33,200
RECEIVABLES	636,000
ALLOWANCES	15,200
INVENTORY	458,700
CURRENT ASSETS	1,310,300
PP&E	2,684,900
DEPRECIATION	1,993,900
TOTAL ASSETS	4,981,900
CURRENT LIABILITIES	1,074,700
BONDS	998,300
PREFERRED MANDATORY	365,200
PREFERRED	17,900
COMMON	766,000
OTHER SE	739,600
TOTAL LIABILITY ANDEQUITY	4,981,900
SALES	3,484,000
TOTAL REVENUES	3,572,100
CGS	2,153,900
TOTAL COSTS	2,153,900
OTHER EXPENSES	0
LOSS PROVISION	19,513
INTEREST EXPENSE	56,700
INCOME PRETAX	439,600
INCOME TAX	132,800
INCOME CONTINUING	327,500
DISCONTINUED	66,500
EXTRAORDINARY	0
CHANGES	0
NET INCOME	394,000
EPS PRIMARY	1.42
EPS DILUTED	1.39

# End of Filing