

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1996

OR

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

For the transition period from _____ to _____

Commission file number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

13-2646102

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer
identification no.)

667 MADISON AVENUE, NEW YORK, N.Y. 10021-8087

(Address of principal executive offices) (Zip Code)

(212) 545-2000

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year,
if changed since last report)

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

Yes X No

Class

Outstanding at November 1, 1996

Common stock, \$1 par value

115,000,000 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries
Consolidated Condensed Balance Sheets

(Amounts in millions of dollars)	September 30, 1996	December 31, 1995

Assets:		
Investments:		
Fixed maturities, amortized cost of \$27,075.9 and \$29,403.5	\$27,058.8	\$30,467.7
Equity securities, cost of \$1,028.1 and \$990.9	1,199.1	1,213.6
Mortgage loans and notes receivable	124.4	132.3
Policy loans	175.9	177.2
Other investments	413.0	503.1
Short-term investments	9,547.4	7,137.0

Total investments	38,518.6	39,630.9
Cash	306.9	241.7
Receivables-net	14,579.3	13,128.6
Property, plant and equipment-net	2,080.1	1,437.5
Deferred income taxes	1,513.8	1,205.2
Prepaid reinsurance premiums	373.3	495.4
Goodwill and other intangible assets-net	531.4	481.8
Other assets	1,382.0	1,075.7
Deferred policy acquisition costs of insurance subsidiaries	1,777.8	1,493.3
Separate Account business	5,711.5	5,868.1

Total assets	\$66,774.7	\$65,058.2
	=====	
Liabilities and Shareholders' Equity:		
Insurance reserves and claims	\$41,073.3	\$40,802.8
Accounts payable and accrued liabilities	2,439.7	1,941.8
Payable for securities purchased	1,156.5	435.3
Securities sold under repurchase agreements	602.6	774.1
Long-term debt, less unamortized discount	4,057.5	4,248.2
Deferred credits and participating policyholders' equity	1,597.6	1,409.9
Separate Account business	5,711.5	5,868.1

Total liabilities	56,638.7	55,480.2
Minority interest	1,759.1	1,339.3
Shareholders' equity	8,376.9	8,238.7

Total liabilities and shareholders' equity .	\$66,774.7	\$65,058.2
	=====	

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries
Consolidated Condensed Statements of Income

(Amounts in millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1996	1995	1996	1995

Revenues:

Insurance premiums:

Property and casualty	\$2,592.8	\$2,427.9	\$ 7,579.2	\$ 6,375.0
Life	841.3	766.7	2,466.3	2,201.3
Investment income, net of expenses	591.2	586.1	1,826.9	1,591.8
Realized investment gains	166.5	294.7	656.5	701.1
Manufactured products (including excise taxes of \$125.5, \$118.4, \$356.8 and \$338.8)	620.9	565.6	1,730.1	1,592.5
Other	403.6	318.6	1,046.4	720.4
Total	5,216.3	4,959.6	15,305.4	13,182.1

Expenses:

Insurance claims and policyholders'

benefits	3,087.2	2,959.0	9,249.6	7,988.9
Amortization of deferred policy acquisition costs	601.5	480.1	1,568.5	1,262.3
Cost of manufactured products sold	260.7	251.8	742.6	720.4
Selling, operating, advertising and administrative expenses	545.2	542.2	1,557.5	1,346.8
Interest	79.7	89.6	240.3	195.4
Total	4,574.3	4,322.7	13,358.5	11,513.8
	642.0	636.9	1,946.9	1,668.3
Income taxes	194.6	223.1	639.7	551.6
Minority interest	58.8	27.4	171.1	96.1
Total	253.4	250.5	810.8	647.7

Net income	\$ 388.6	\$ 386.4	\$ 1,136.1	\$ 1,020.6
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Net income per share	\$ 3.37	\$ 3.28	\$ 9.75	\$ 8.66
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Cash dividends per share	\$.25	\$.13	\$.75	\$.38
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Weighted average number of shares

outstanding	115.2	117.8	116.5	117.8
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See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
Consolidated Condensed Statements of Cash Flows

(Amounts in millions)	Nine Months Ended September 30,	
	1996	1995
Operating Activities:		
Net income	\$ 1,136.1	\$ 1,020.6
Adjustments to reconcile net income to net cash provided by operating activities-net .	(126.3)	(338.4)
Changes in assets and liabilities-net:		
Reinsurance receivables	(104.2)	(406.9)
Other receivables	(859.7)	(655.9)
Prepaid reinsurance premiums	122.1	57.9
Deferred policy acquisition costs	(284.5)	(147.6)
Insurance reserves and claims	292.6	756.9
Accounts payable and accrued liabilities .	597.4	105.7
Investments classified as trading securities	(53.5)	
Other-net	(449.7)	315.2
	270.3	707.5
Investing Activities:		
Purchases of fixed maturities	(24,783.0)	(25,325.6)
Proceeds from sales of fixed maturities	25,758.4	23,346.6
Proceeds from maturities of fixed maturities	1,657.9	2,306.3

Change in securities sold under repurchase agreements	(171.6)	(2,066.7)
Purchases of equity securities	(513.1)	(805.7)
Proceeds from sales of equity securities ...	649.9	1,847.9
Purchase of The Continental Corporation, net of cash acquired		(960.4)
Change in short-term investments	(2,158.8)	240.3
Purchases of property, plant and equipment .	(351.2)	(141.9)
Change in other investments	297.8	(112.0)
	-----	-----
	386.3	(1,671.2)
	-----	-----

Financing Activities:

Dividends paid to shareholders	(87.4)	(44.2)
Purchases of treasury shares	(215.7)	(4.3)
Issuance of long-term debt	9.5	1,831.1
Principal payments on long-term debt	(323.0)	(509.1)
Net borrowings on revolving line of credit..	55.0	
Net decrease in short-term debt	(7.7)	(205.0)
Receipts credited to policyholders	11.6	19.4
Withdrawals of policyholder account balances	(33.7)	(25.9)
	-----	-----
	(591.4)	1,062.0
	-----	-----

Net change in cash	65.2	98.3
Cash, beginning of period	241.7	160.6
	-----	-----
Cash, end of period	\$ 306.9	\$ 258.9
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries Notes to Consolidated Condensed Financial Statements

(Dollars in millions, except per share data)

- Reference is made to Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders which should be read in conjunction with these consolidated condensed financial statements.

Certain amounts applicable to prior periods have been reclassified to conform to the classifications followed in 1996.

- On May 10, 1995, CNA Financial Corporation, an 84% owned Subsidiary ("CNA"), acquired all the outstanding shares of The Continental Corporation ("CIC") for approximately \$1,100, or \$20 per CIC share. To finance the acquisition, CNA entered into a five year \$1,325 revolving credit facility (see Note 13 of the Notes to Consolidated Financial Statements in the 1995 Annual Report on Form 10-K, included in Item 8). CIC is an insurance holding company principally engaged through subsidiaries in the business of property and casualty insurance.

The acquisition of CIC has been accounted for as a purchase, and CIC's operations are included in the Consolidated Condensed Financial Statements as of May 10, 1995.

The pro forma consolidated condensed results of operations presented below assumes the above transaction occurred at January 1, 1995.

Nine Months Ended
September 30, 1995

Revenues	\$14,669.7
Realized investment gains included in revenues	\$ 821.2
Income before taxes and minority interest	\$ 1,696.9
Income tax expense	(575.0)
Minority interest	(97.0)
Net income	\$ 1,024.9
Net income per share	\$ 8.70

The pro forma consolidated condensed financial information is not necessarily indicative either of the results of operations that would have occurred had the transaction been consummated at January 1, 1995 or of future operations of the combined companies.

3. CNA assumes and cedes insurance with other insurers and reinsurers and members of various reinsurance pools and associations. CNA utilizes reinsurance arrangements to limit its maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The reinsurance coverages are tailored to the specific risk characteristics of each product line with CNA's retained amount varying by type of coverage. Generally, reinsurance coverage for property risks is on an excess of loss, per risk basis. Liability coverages are generally reinsured on a quota share basis in excess of CNA's retained risk.

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The ceding of insurance does not discharge the primary liability of the original insurer. CNA places reinsurance with other carriers only after careful review of the nature of the contract and a thorough assessment of the reinsurers' credit quality and claim settlement performance. Further, for carriers that are not authorized reinsurers in its states of domiciles, CNA receives collateral primarily in the form of bank letters of credit, securing a large portion of the recoverables. At September 30, 1996, such collateral totaled approximately \$1,100. CNA's largest recoverable from a single reinsurer, including prepaid reinsurance premiums, at September 30, 1996 was approximately \$435 with Lloyd's of London.

The effects of reinsurance on earned premiums, are as follows:

	% Assumed					% Assumed				
	Direct	Assumed	Ceded	Net		Direct	Assumed	Ceded	Net	

Nine Months Ended September 30,										

	1996					1995				

Life	\$ 515.9	\$ 87.3	\$ 33.1	\$ 570.1	15.3%	\$ 463.0	\$ 81.4	\$ 16.1	\$ 528.3	15.4%
Accident and health .	2,580.3	183.0	112.4	2,650.9	6.9	2,289.1	95.9	59.6	2,325.4	4.1
Property and casualty	6,702.2	1,177.5	1,055.2	6,824.5	17.3	5,764.0	925.5	966.9	5,722.6	16.2

Total	\$9,798.4	\$1,447.8	\$1,200.7	\$10,045.5	14.4%	\$8,516.1	\$1,102.8	\$1,042.6	\$8,576.3	12.9%
=====										
Three Months Ended September 30,										

	1996					1995				

Life	\$ 164.3	\$ 30.1	\$ 17.9	\$ 176.5	17.1%	\$ 167.3	\$ 26.5	\$ 6.7	\$ 187.1	14.2%
Accident and health .	919.6	93.5	79.2	933.9	10.0	847.9	27.7	21.4	854.2	3.2
Property and casualty	2,453.2	174.7	304.2	2,323.7	7.5	2,316.5	352.2	515.4	2,153.3	16.4

Total	\$3,537.1	\$ 298.3	\$ 401.3	\$ 3,434.1	8.7%	\$3,331.7	\$ 406.4	\$ 543.5	\$3,194.6	12.7%
=====										

In the above table, life premium income is primarily from long duration contracts and the property and casualty earned premium is from short duration contracts, and accident and health earned premiums are primarily from short duration contracts.

Insurance claims and policyholders' benefits are net of reinsurance of \$108.5, \$782.8, \$1,010.3 and \$1,112.8 for the three and nine months ended September 30, 1996 and 1995, respectively.

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4. Shareholders' equity:

September 30,	December 31,
1996	1995
-----	-----

Preferred stock, \$.10 par value, Authorized--100,000,000 shares		
Common stock, \$1 par value: Authorized--400,000,000 shares		
Issued--117,832,800 shares	\$ 117.8	\$ 117.8
Additional paid-in capital	170.0	170.0
Earnings retained in the business	8,206.5	7,157.8
Unrealized appreciation	98.3	793.1
	-----	-----
Total	8,592.6	8,238.7
Less common stock (2,832,800 shares) held in treasury at cost	215.7	
	-----	-----
Total	\$8,376.9	\$8,238.7
	=====	=====

5. The Company's receivables are comprised of the following:

	September 30, 1996	December 31, 1995
	-----	-----
Reinsurance	\$ 7,273.2	\$ 7,169.1
Other insurance	6,086.2	5,302.4
Security sales	694.2	187.7
Accrued investment income	519.0	578.8
Other	301.0	193.2
	-----	-----
Total	14,873.6	13,431.2
Less allowance for doubtful accounts and cash discounts	294.3	302.6
	-----	-----
Receivables-net	\$14,579.3	\$13,128.6
	=====	=====

6. On April 29, 1996 Diamond Offshore Drilling, Inc., a 70% owned subsidiary ("Diamond Offshore"), acquired Arethusa (Off-Shore) Limited ("Arethusa"). Holders of Arethusa stock received 17.9 million shares of common stock issued by Diamond Offshore based on a ratio of .88 shares for each share of Arethusa common stock. The Company recognized a gain of approximately \$186.6 during the second quarter of 1996 and its interest in Diamond Offshore declined to approximately 51%.

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7. Legal Proceedings and Contingent Liabilities-

Fibreboard Litigation

CNA's primary property and casualty subsidiary, Continental Casualty Company ("Casualty"), is party to litigation with Fibreboard Corporation ("Fibreboard") involving coverage for certain asbestos-related claims and defense costs (San Francisco Superior Court, Judicial Council Coordination Proceeding 1072). As described below, Casualty, Fibreboard, another insurer (Pacific Indemnity, a subsidiary of the Chubb Corporation), and a negotiating committee of asbestos claimant attorneys (collectively referred to as "Settling Parties") have reached a Global Settlement (the "Global Settlement") to resolve all future asbestos-related bodily injury claims involving Fibreboard, which is subject to court approval. Casualty, Fibreboard and Pacific Indemnity have also reached an agreement (the "Trilateral Agreement"), on a settlement to resolve the coverage litigation in the event the Global Settlement does not obtain final court approval or is subsequently successfully attacked. The implementation of the Global Settlement or the Trilateral Agreement would have the effect of settling Casualty's litigation with Fibreboard.

On July 27, 1995, the United States District Court for the Eastern District of Texas entered judgment approving the Global Settlement Agreement and the Trilateral Agreement. As expected, appeals were filed as respects both of these decisions. On July 25, 1996, a panel of the United States Fifth Circuit Court of Appeals in New Orleans affirmed the judgment approving the Global Settlement Agreement by a 2 to 1 vote and affirmed the judgment approving the Trilateral Agreement by a 3 to 0 vote. A petition has been filed for re-hearing by the entire Fifth Circuit Court of Appeals as

respects the decision on the Global Settlement Agreement.

No further appeal has been filed with respect to the Trilateral Agreement and CNA believes that the time to file any such further appeal has expired, and accordingly, CNA believes that court approval of the Trilateral Agreement has become final. CNA currently expects that Casualty's litigation with Fibreboard will be dismissed during the first quarter of 1997.

Global Settlement - On April 9, 1993, Casualty and Fibreboard entered into an agreement pursuant to which, among other things, the parties agreed to use their best efforts to negotiate and finalize a global class action settlement with asbestos-related bodily injury and death claimants.

On August 27, 1993, the Settling Parties reached an agreement in principle for an omnibus settlement to resolve all future asbestos-related bodily injury claims involving Fibreboard. The Global Settlement Agreement was executed on December 23, 1993. The agreement calls for contribution by Casualty and Pacific Indemnity of an aggregate of \$1,525 to a trust fund for a class of all future asbestos claimants, defined generally as those persons whose claims against Fibreboard were neither filed nor settled before August 27, 1993. An additional \$10 is to be contributed to the fund by Fibreboard. As indicated above, the Global Settlement approval has been affirmed on appeal, however, further review is being sought, and there is limited precedent with settlements which determine the rights of future claimants to seek relief.

Subsequent to the announcement of the agreement in principle, Casualty, Fibreboard and Pacific Indemnity entered into the Trilateral Agreement which among other things, settles the coverage case in the event the Global Settlement approval is not ultimately upheld. In such case, Casualty and Pacific Indemnity will contribute to a settlement fund an aggregate of

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\$2,000, less certain adjustments. Such fund would be devoted to the payment of Fibreboard's asbestos liabilities other than liabilities for claims settled before August 23, 1993. Casualty's share of such fund would be \$1,440 reduced by a portion of an additional payment of \$635 which Pacific Indemnity has agreed to pay for claims either filed or settled before August 27, 1993. Based upon receipt of the final approval of the Trilateral Agreement, Casualty will assume responsibility for the claims that were settled before August 27, 1993. A portion of the additional \$635 to be contributed by Pacific Indemnity will be applied to the payment of such claims as well. As a part of the Global Settlement and the Trilateral Agreement, Casualty is to be released by Fibreboard from any further liability under the comprehensive general liability policy written for Fibreboard by Casualty, including but not limited to liability for asbestos-related claims against Fibreboard. As indicated above, CNA believes that court approval of the Trilateral Agreement has become final and non-appealable.

Casualty and Fibreboard have entered into a supplemental agreement (the "Supplemental Agreement") which governs the interim arrangements and obligations between the parties until such time as the coverage case is finally resolved, either through final court approval of the Global Settlement Agreement, or final court disapproval of the Global Settlement Agreement and final court approval of the Trilateral Agreement, or through a final decision in the California courts. It also governs certain obligations between the parties upon the Global Settlement being upheld on appeal including the payment of claims which are not included in the Global Settlement.

In addition, Casualty and Pacific Indemnity have entered into an agreement (the "Casualty-Pacific Agreement") which sets forth the parties' agreement with respect to the means for allocating among themselves responsibility for payments arising out of the Fibreboard insurance policies. Under the Casualty-Pacific Agreement, Casualty and Pacific Indemnity have agreed to pay 64.71% and 35.29%, respectively, of the \$1,525 to be used to satisfy the claims of future claimants, plus certain expenses. The \$1,525 has already been deposited into an escrow for such purpose. Based upon the final approval of the Trilateral Agreement, Pacific Indemnity's share for unsettled present claims and presently settled claims will be \$635.

Through September 30, 1996, Casualty, Fibreboard and plaintiff attorneys had reached settlements with respect to approximately 133,700 claims, subject to resolution of the coverage issues, for an estimated settlement amount of approximately \$1,620 plus any applicable interest. Final court approval of the Trilateral Agreement obligates Casualty to pay under these settlements. Approximately \$705 was paid through September 30, 1996. As described above, such payments are partially recoverable from Pacific Indemnity. Casualty may negotiate other agreements with various classes of claimants including groups who may have previously reached agreement with Fibreboard.

Reserves - In the fourth quarter of 1992, Casualty increased its reserve with respect to potential exposure to asbestos-related bodily injury cases by \$1,500. In connection with the agreement in principle announced on August 27, 1993, Casualty added \$500 to such claim reserve in the third quarter of 1993. The Fibreboard litigation represents the major portion of Casualty's asbestos-related claim exposure.

Casualty believes that final court approval of the Trilateral Agreement and its implementation will eliminate any further material exposure with respect to the Fibreboard matter.

Under various reinsurance agreements, Casualty has asserted a right to

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reimbursement for a portion of its potential exposure to Fibreboard. Casualty's principal reinsurers have disputed Casualty's right to reimbursement and have taken the position that any claim by Casualty is subject to arbitration under provisions in the reinsurance agreement. A federal court has ruled that the dispute must be resolved by arbitration. There can be no assurance that Casualty will be successful in obtaining a significant recovery under its reinsurance agreements.

Environmental Pollution and Asbestos

The CNA property/casualty insurance companies have potential exposures related to environmental pollution and asbestos-related claims.

Environmental pollution clean-up is the subject of both federal and state regulation. By some estimates, there are thousands of potential waste sites subject to clean-up. The insurance industry is involved in extensive litigation regarding coverage issues. Judicial interpretations in many cases have expanded the scope of coverage and liability beyond the original intent of the policies.

The Comprehensive Environmental Response Compensation and Liability Act of 1980 ("Superfund") and comparable state statutes ("mini-Superfund") govern the clean-up and restoration of abandoned toxic waste sites and formalize the concept of legal liability for clean-up and restoration by potentially responsible parties ("PRP's"). Superfund and the mini-Superfunds (Environmental Clean-up Laws or "ECLs") establishes a mechanism to pay for clean-up of waste sites if PRP's fail to do so, and to assign liability to PRP's. The extent of liability to be allocated to a PRP is dependent on a variety of factors. Further, the number of waste sites subject to clean-up is unknown. To date, approximately 1,300 clean-up sites have been identified by the Environmental Protection Agency on its National Priorities List. On the other hand, the Congressional Budget Office is estimating that there will be 4,500 National Priority List sites, and other estimates project as many as 30,000 sites that will require clean-up under ECLs. Very few sites have been subject to clean-up to date. The extent of clean-up necessary and the assignment of liability has not been established.

CNA and the insurance industry are disputing coverage for many such claims. Key coverage issues include whether Superfund response costs are considered damages under the policies, trigger of coverage, applicability of pollution exclusions, the potential for joint and several liability and definition of an occurrence. Similar coverage issues exist for clean-up of waste sites not covered under Superfund. To date, courts have been inconsistent in their rulings on these issues.

A number of proposals to reform Superfund have been made by various parties. Despite Superfund taxing authority expiring at the end of 1995, no reforms have been enacted by Congress. While the next Congress may address this issue, no predictions can be made as to what positions the Congress or the Administration will take and what legislation, if any, will result. If there is legislation, and in some circumstances even if there is no legislation, the federal role in environmental clean-up may be materially reduced in favor of state action. Substantial changes in the federal statute or the activity of the EPA may cause states to reconsider their environmental clean-up statutes and regulations. There can be no meaningful prediction of the pattern of regulation that would result.

Due to the inherent uncertainties described above, including the inconsistency of court decisions, the number of waste sites subject to clean-up, and the standards for clean-up and liability, the ultimate

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exposure to CNA for environmental pollution claims cannot be meaningfully quantified. Claim and claim expense reserves represent management's

estimates of ultimate liabilities based on currently available facts and case law. However, in addition to the uncertainties previously discussed, additional issues related to, among other things, specific policy provisions, multiple insurers and allocation of liability among insurers, consequences of conduct by the insured, missing policies and proof of coverage make quantification of liabilities exceptionally difficult and subject to adjustment based on new data. As of September 30, 1996 and December 31, 1995, CNA carried approximately \$802 and \$1,030, respectively, of claim and claim expense reserves, net of reinsurance recoverable, for reported and unreported environmental pollution claims. There was no environmental reserve development for the quarter and nine months ended September 30, 1996. Adverse environmental reserve development of \$241 for the year ended December 31, 1995 includes \$60 related to CIC and results from CNA's on-going monitoring of settlement patterns, current pending cases and potential future claims. The foregoing reserve information relates to claims for accident years 1988 and prior, which coincides with CNA's adoption of the Simplified Commercial General Liability coverage form which included an absolute pollution exclusion.

CNA has exposure to asbestos-related claims, including those attributable to CNA's on-going litigation with Fibreboard Corporation (see discussion above). Estimation of asbestos-related claim reserves encounter many of the same limitations discussed above for environmental pollution claims such as inconsistency of court decisions, specific policy provisions, multiple insurers and allocation of liability among insurers, missing policies and proof of coverage. As of September 30, 1996 and December 31, 1995, CNA carried approximately \$2,051 and \$2,224, respectively, of claim and claim expense reserves, net of reinsurance recoverable, for reported and unreported asbestos-related claims. Unfavorable reserve development for the nine months ended September 30, 1996 and year ended December 31, 1995 totaled \$38 and \$258, respectively.

CNA, consistent with sound reserving practices, regularly adjusts its reserve estimates in subsequent reporting periods as new facts and circumstances emerge that indicate the previous estimates need to be modified. Beginning the latter part of 1995 and through 1996 to date, CNA has been actively settling many of its larger environmental pollution and asbestos-related claim exposures. This strategy has resulted in a large volume of claim payments during 1996, and corresponding reductions in reserves. In addition, Fibreboard claim payments escalated in 1996 as some scheduled payments came due. Management does not believe that these recent activities have changed facts or circumstances evident at December 31, 1995, therefore, no material modifications to previous reserve estimates have been made in 1996. The following table provides additional data related to CNA's environmental pollution and asbestos-related claims reserves.

	September 30, 1996		December 31, 1995	
	Environmental	Asbestos	Environmental	Asbestos
Gross reserves:				
Reported claims	\$ 328	\$1,877	\$ 337	\$1,963
Unreported claims	594	275	840	358
	922	2,152	1,177	2,321
Less reinsurance recoverable	(120)	(101)	(147)	(97)
Net reserves	\$ 802	\$2,051	\$1,030	\$2,224
	=====			

The results of operations in future years may continue to be adversely affected by environmental pollution and asbestos claim and claim expenses. Management will continue to monitor potential liabilities and make further adjustments as warranted.

Tobacco Litigation

Lawsuits are being filed with increasing frequency against Lorillard and other manufacturers of tobacco products seeking damages for cancer and other health effects claimed to have resulted from an individual's use of cigarettes or exposure to tobacco smoke. Plaintiffs have asserted claims based on, among other things, theories of negligence, fraud, misrepresentation, strict liability, breach of warranty, enterprise liability, civil conspiracy, intentional infliction of harm, and failure to warn of the allegedly harmful and/or addictive nature of tobacco products.

Plaintiffs seek unspecified amounts in compensatory and punitive damages in many cases, and in other cases damages are stated to amount to as much as \$100 in compensatory damages and \$600 in punitive damages.

Conventional smoking and health cases - There are 317 cases filed by individual plaintiffs against manufacturers of tobacco products pending in the United States federal and state courts. Lorillard is a named defendant in 92 of these cases. The Company is a defendant in four of these cases.

On August 23, 1996 the jury in *Rogers v. R.J. Reynolds Tobacco Company, et al.* (District Court, Marion County, Indiana), returned a verdict in favor of the defendants. Neither Lorillard nor the Company was a party in *Rogers*.

On August 9, 1996 the jury in *Carter v. Brown & Williamson Tobacco Corporation* (District Court, Duval County, Florida), returned a verdict in favor of the plaintiffs and awarded them \$0.8 in actual damages. The Company understands that *Brown & Williamson Tobacco Corporation*, the only defendant in the case, has filed post-trial motions for judgment notwithstanding the verdict or for new trial, and that if such motions are unsuccessful, *Brown & Williamson* intends to notice an appeal.

Class Actions - In addition to the foregoing cases, there are 19 purported class actions pending against cigarette manufacturers. Lorillard is a defendant in 17 of these cases and the Company is a defendant in 11 of these cases. Fourteen of the purported class actions against Lorillard seek damages for alleged nicotine addiction and health effects claimed to have resulted from the use of cigarettes; two allege health effects from exposure to tobacco smoke; and one seeks disclosure of additives used in cigarettes. Theories of liability include a broad range of product liability theories, theories based upon consumer protection statutes and fraud and misrepresentation. These purported class actions are described below.

Broin v. Philip Morris Companies, Inc., et al. (Circuit Court, Dade County, Florida, filed October 31, 1991). The class consists of flight attendants claiming injury as a result of exposure to environmental tobacco smoke in the cabins of aircraft. Plaintiffs seek an unspecified amount in compensatory damages and \$5,000 in punitive damages. The trial court granted plaintiffs' motion for class certification on December 12, 1994. Defendants' appeal of this ruling to the Florida Court of Appeal has been denied. Defendants' motion to reconsider the ruling or to certify it to the Florida Supreme Court has been denied. Defendants' attempts to appeal to the Florida Supreme Court have been denied.

Castano v. The American Tobacco Company, et al. (U.S. District Court, Eastern District, Louisiana, filed March 29, 1994). The purported class

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consists of individuals in the United States who are allegedly nicotine-dependent and their estates and heirs. Plaintiffs are represented by a well-funded and coordinated consortium of over 60 law firms from around the United States. Plaintiffs seek unspecified amounts in actual damages and punitive damages. The court issued an order on February 17, 1995 that granted in part plaintiffs' motion for class certification. On appeal, the United States Court of Appeals for the Fifth Circuit issued an order decertifying the class. The Court of Appeals ordered the trial court to enter an order dismissing the class action allegations in plaintiffs' complaint. A dismissal order has not been entered to date.

Granier v. The American Tobacco Company, et al. (U.S. District Court, Eastern District, Louisiana, filed September 26, 1994). Plaintiffs seek certification of a class comprised of all residents of the United States who are addicted to nicotine, and of survivors who claim their decedents were addicted to nicotine. Plaintiffs seek unspecified actual damages and punitive damages and the creation of a medical monitoring fund to monitor the health of individuals allegedly injured by their addiction to nicotine. Plaintiffs' motion to consolidate this action with *Castano*, above, has not been decided by the court.

Engle v. R.J. Reynolds Tobacco Co., et al. (Circuit Court, Dade County, Florida, filed May 5, 1994). The purported class consists of citizens and residents of the United States, and their survivors, who have or who have died from, diseases and medical conditions allegedly caused by smoking cigarettes containing nicotine. Plaintiffs in this case seek actual and punitive damages in excess of \$200,000, and the creation of a medical fund to compensate individuals for future health care costs. Plaintiffs' motion for class certification was granted by the court on October 31, 1994. Defendants' appeal of this ruling to the Florida Court of Appeal was denied, although the court has modified the class certification order and has limited plaintiffs' class to citizens or residents of Florida. Defendants' motion to reconsider this ruling has been denied. Defendants have appealed the orders to the Florida Supreme Court. The Florida Supreme Court has

denied defendants' petition to invoke the discretionary jurisdiction of the court to review the class certification rulings.

Lacey v. Lorillard Tobacco Company, et al. (U.S. District Court, Northern District, Alabama, filed March 15, 1994). Plaintiff alleges that the defendants, Lorillard and two other cigarette manufacturers, did not disclose to the plaintiff or other cigarette smokers in the State of Alabama the nature, type, extent and identity of additives that the defendants allegedly caused or allowed to be made a part of cigarettes or cigarette components. Plaintiff requests injunctive relief requiring defendants to list the additives that defendants have caused or allowed to be placed in cigarettes sold in Alabama. Plaintiff seeks monetary damages not to exceed forty-eight thousand five hundred dollars for any individual. The U.S. District Court has advised the parties that it has granted defendants' motion for summary judgment but an order reflecting the ruling has not been entered.

Norton v. RJR Nabisco Holdings Corporation, et al. (U.S. District Court, Southern District, Indiana, filed May 3, 1996). Plaintiffs seek certification of a class comprised of all allegedly nicotine-dependent persons in the state of Indiana who have purchased and smoked cigarettes manufactured by the defendant tobacco companies since January 1, 1940; the estates, representatives and administrators of allegedly nicotine-dependent smokers; and the spouses, children and dependent relatives of allegedly nicotine-dependent smokers. Plaintiffs seek unspecified amounts in actual damages and punitive damages; applicable damages for violation of Indiana's deceptive business practices statute; and creation of a medical monitoring fund.

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Richardson v. Philip Morris Incorporated, et al. (U.S. District Court, Maryland, filed May 24, 1996). Plaintiffs seek certification of a class comprised of citizens or residents of Maryland who allege they or their decedents who have or died from diseases or medical conditions caused by addiction to smoking cigarettes or using other tobacco products containing nicotine. Plaintiffs seek unspecified amounts in actual damages and punitive damages and the creation of a medical monitoring fund, smoking cessation programs, and a corrective public education campaign.

Scott v. The American Tobacco Company, et al. (District Court, Orleans Parish, Louisiana, filed May 24, 1996). Plaintiffs seek certification of a class of residents of Louisiana and the estates, representatives, administrators, spouses, children or significant others of Louisiana residents who allegedly are or were nicotine-dependent. Plaintiffs seek an unspecified amount of actual damages and the creation of a medical monitoring fund. This case was remanded to the state court.

Reed v. Philip Morris Incorporated, et al. (Superior Court, District of Columbia, filed June 21, 1996). Plaintiff seeks certification of a class of residents of Washington, D.C., who allege they or their decedents are or were addicted to cigarettes. Plaintiff seeks actual damages in an amount specified to be in excess of \$0.5 for each class member; punitive damages in an amount specified to be in excess of \$1.0 for each class member; an unspecified amount in treble damages; and the funding of a medical monitoring fund and of smoking cessation programs.

Mroczowski v. Lorillard, et al.; Hoskins v. R.J. Reynolds, et al.; Frosina v. Philip Morris, et al.; Stewart-Lomanitz v. Brown & Williamson, et al. and Zito v. American Tobacco, et al. (Supreme Court, New York County, New York, each filed on June 19, 1996). Plaintiffs in each of these cases seek certification of classes to be comprised of residents of the state of New York who allege they are nicotine-dependent, and the estates, representatives or administrators of the alleged nicotine-dependent smokers. Each of these cases names a cigarette manufacturer, the parent or holding company of the manufacturer, The Tobacco Institute and the Council for Tobacco Research as defendants. In Mroczowski, the only one of these cases to name Lorillard or the Company as defendants, plaintiffs seek unspecified amounts in actual damages and punitive damages.

Arch v. The American Tobacco Company, et al. (U.S. District Court, Eastern District, Pennsylvania, filed August 8, 1996). Plaintiffs seek class certification on behalf of residents of Pennsylvania who allegedly are or were nicotine-dependent, or the estates, representatives, administrators, spouses, children or relatives of the allegedly nicotine-dependent smokers.

Plaintiffs seek unspecified amounts in actual damages and punitive damages and the creation of a medical monitoring fund and of smoking cessation programs. Defendants named in the complaint are Lorillard, the Company, the other major U.S. cigarette manufacturers, their parent or holding companies, The Tobacco Institute, the Council for Tobacco Research, wholesalers, and a trade association.

Harris v. The American Tobacco Company, et al. (U.S. District Court, Middle District, Pennsylvania, filed March 1, 1996; service not effected on any defendants until October 1996). Plaintiffs, who are incarcerated in federal correctional facility, are appearing pro se and in forma pauperis and seek certification of the case as a class action on behalf of all residents of the United States who allege they or their decedents are or were nicotine dependent. Plaintiffs seek unspecified amounts in actual damages, punitive damages and the creation of a medical monitoring fund. The defendants named in the complaint are Lorillard, the Company, the other major U.S. cigarette

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manufacturers, their parent or holding companies and The Tobacco Institute.

Lyons v. The American Tobacco Company, et al. (U.S. District Court, Southern District, Alabama, filed August 8, 1996). Plaintiffs seek class certification on behalf of residents of the states of Alabama and North Carolina who allegedly are addicted to cigarette smoking and on behalf of individuals whose claims are derivative of the claims of the allegedly addicted smokers. Plaintiffs seek unspecified amounts in actual damages, punitive damages and a medical monitoring fund. Lorillard, the other major U.S. cigarette manufacturers, The Tobacco Institute, the Council for Tobacco Research, a non-U.S. tobacco company and wholesalers are named as defendants in the complaint.

Chamberlain v. The American Tobacco Company, et al. (U.S. District Court, Northern District, Ohio, filed August 14, 1996). Plaintiff seeks class certification on behalf of all residents of Ohio who allege they or their decedents are or were nicotine dependent. Plaintiffs seek unspecified amounts in actual damages and punitive damages and the creation of a medical monitoring fund. The defendants named in the complaint are Lorillard Tobacco Company, Lorillard, Inc., the Company, the other major U.S. cigarette manufacturers, their parent or holding companies, companies affiliated with one non-U.S. cigarette manufacturer, the Council for Tobacco Research, The Tobacco Institute, and wholesalers and retailers of tobacco products.

Masepohl v. American Tobacco Company, Inc., et al. (U.S. District Court, Minnesota, filed September 3, 1996). Plaintiff seeks class certification on behalf of all residents of Minnesota who allege they or their decedents are or were nicotine dependent. Plaintiff seeks an unspecified amount in actual damages and the creation of a medical monitoring fund. Lorillard, the Company, the other major U.S. cigarette manufacturers, their parent or holding companies, two non-U.S. tobacco companies, The Tobacco Institute and the Council for Tobacco Research are named as defendants in the complaint.

Perry v. The American Tobacco Company, et al. (Circuit Court, Coffee County, Tennessee, filed September 30, 1996). Plaintiffs seek certification of the case as a class action on behalf of individuals who have paid medical insurance premiums to a Blue Cross and Blue Shield organization. Plaintiffs seek recovery of the funds expended by members of the purported class for premiums paid to Blue Cross and Blue Shield entities. The defendants named in the complaint are Lorillard, the other major U.S. cigarette manufacturers, one non-U.S. tobacco company, Hill & Knowlton, The Tobacco Institute and the Council for Tobacco Research.

McGinty v. The American Tobacco Company, et al. (U.S. District Court, Eastern District, Arkansas, filed November 4, 1996). Plaintiffs seek class certification on behalf of all residents of Arkansas who allege they or their decedents are or were nicotine dependent. Plaintiffs seek restitution and refunds of the sums paid by class members to purchase cigarettes; disgorgement of the profits from the sale of cigarettes; a medical monitoring fund; an unspecified amount in actual damages; and an unspecified amount in punitive damages. The complaint names Lorillard, the Company, the other major U.S. cigarette manufacturers, their parent or holding companies, The Tobacco Institute and the Council for Tobacco Research as defendants.

Reimbursement Cases - In addition to the foregoing cases, there are 23 actions (one of which is unserved) initiated in which governmental entities seek recovery of funds expended by them, and in one case health insurers, to provide health care to individuals with injuries or other health effects allegedly caused by use of tobacco products or exposure to cigarette smoke. These cases are based on, among other things, equitable claims including indemnity, restitution, unjust enrichment and public nuisance, and claims

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based on antitrust laws and state consumer protection acts. Lorillard is named as a defendant in all 23 such actions. The Company is named as a defendant in six of them (one of which is unserved). These cases are described below.

Moore v. The American Tobacco Company, et al. (Chancery Court, Jackson County, Mississippi, filed May 23, 1994), filed by the Attorney General of Mississippi. In February 1996, the Governor of Mississippi petitioned the Supreme Court of Mississippi for a writ of mandamus, claiming the Attorney General had no authority to bring a lawsuit against Lorillard and the other manufacturers of tobacco products without approval by the Governor. The Mississippi Supreme Court has heard argument in the petitions filed by the defendants in the action and separately by the Governor of Mississippi on September 4, 1996.

McGraw v. The American Tobacco Company, et al. (Circuit Court, Kanawha County, West Virginia, filed September 20, 1994), filed by the Attorney General of West Virginia. In this case the court entered an order during June 1995 that granted defendants' motion to dismiss eight of the ten counts of the complaint. The motion to dismiss was not directed to plaintiff's two remaining claims of antitrust and consumer fraud.

State of Minnesota v. Philip Morris Incorporated, et al. (District Court, Ramsey County, Minnesota, filed August 17, 1994), filed by the Attorney General of Minnesota and Blue Cross and Blue Shield of Minnesota.

Commonwealth of Massachusetts v. Philip Morris Inc., et al. (Superior Court, Middlesex County, Massachusetts, filed December 19, 1995), filed by the Attorney General of Massachusetts. The action was remanded from U.S. District Court, Massachusetts.

Ieyoub v. The American Tobacco Company, et al. (District Court, Calcasieu Parish, Louisiana, filed March 13, 1996), filed by the Attorney General of Louisiana. The action was remanded from U.S. District Court, Western District, Louisiana.

The State of Texas v. The American Tobacco Company, et al. (U.S. District Court, Eastern District, Texas, filed March 28, 1996), filed by the Attorney General of Texas.

State of Maryland v. Philip Morris Incorporated, et al. (Circuit Court, Baltimore City, Maryland, filed May 1, 1996), filed by the Attorney General of Maryland. The case was remanded from U.S. District Court, Maryland.

State of Washington v. The American Tobacco Company, et al. (Superior Court, King County, Washington, filed June 5, 1996), filed by the Attorney General of the state of Washington.

City and County of San Francisco, et al. v. Philip Morris Incorporated, et al. (U.S. District Court, Northern District, California, filed June 6, 1996), filed by the City and County of San Francisco on behalf of the citizens of the state of California.

State of Connecticut v. Philip Morris Incorporated, et al. (Superior Court, Stamford/Norwalk District, Connecticut, filed July 18, 1996), filed by the Attorney General of Connecticut.

The State of Florida, et al. v. The American Tobacco Company, et al. (Circuit Court, Palm Beach County, Florida, filed February 22, 1995), filed by the State of Florida, the Governor of Florida, and two state agencies. This case has been brought under a Florida statute that permits the state to

sue a manufacturer to recover Medicaid costs incurred by the state that are claimed to result from the use of the manufacturer's product. The statute permits causation and damages to be proven by statistical analysis, abrogates all affirmative defenses, adopts a "market share" liability theory, applies joint and several liability and eliminates the statute of repose. An action for declaratory judgment has been commenced in Florida state court by companies and trade associations in several potentially affected industries challenging this statute. In June 1995, a ruling was issued by a Florida state court that granted in part this motion for declaratory judgment. The ruling declared that certain portions of this statute on which the lawsuit against cigarette companies was based violates the constitution of the State of Florida. Both parties appealed the ruling to the Florida Court of Appeal. The appeal subsequently was transferred to the Florida Supreme Court. On June 27, 1996, the Florida Supreme Court affirmed in part and reversed in part the trial court's judgment. A plurality of the court held that the 1994 amendments are constitutional on their face, but that cigarette manufacturers are not precluded from asserting an action in the future challenging the application of the amendments. The court further directed that the state must identify the individual Medicaid recipients for whom it is seeking recovery; that the cigarette manufacturers will be permitted to assert certain defenses to claims that appear to be time-barred; that the state will be prohibited from combining theories of market-share liability and joint and several liability

(although the state may assert either claim individually); and that recovery of payments made prior to July 1, 1994, the effective date of the amendments, may be sought only under traditional methods such as subrogation, assignment or lien. Lorillard understands that several other states, and the Congress, have considered or are considering legislation similar to that passed in Florida. On September 16, 1996, the trial court granted defendants' motion to dismiss 15 of the 18 counts of the complaint, granted the motions to dismiss filed by certain parent company defendants, including Loews Corporation, and required the state to identify the Medicaid recipients for which it seeks to recover damages. Plaintiffs have noticed an appeal to the Florida Court of Appeal from that portion of the September 16, 1996 order dismissing the parent company defendants.

The County of Los Angeles, et al. v. R.J. Reynolds Tobacco Company, et al. (Superior Court, Los Angeles County, California, filed August 5, 1996), filed by public attorneys for the County of Los Angeles.

The State of Arizona, et al. v. The American Tobacco Company, et al. (Superior Court, Maricopa County, Arizona, filed August 20, 1996), filed by the Attorney General of Arizona on behalf of the state and the Arizona Health Care Cost Containment System.

The State of Kansas v. R.J. Reynolds Tobacco Company, et al. (District Court, Shawnee County, Kansas, filed August 20, 1996), filed by the Attorney General of Kansas.

Kelley v. Philip Morris Incorporated, et al. (Circuit Court, Ingham County, Michigan, filed August 21, 1996), filed by the Attorney General of Michigan.

People of the State of California v. Philip Morris Incorporated, et al. (Superior Court, San Francisco County, California, filed September 5, 1996), filed by 12 California counties, the cities of San Francisco and San Jose, the California Division of the American Cancer Society, the California chapter of the American Heart Association, the California Medical Association, and the California District of the American Academy of Pediatrics.

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State of New Jersey v. R.J. Reynolds Tobacco Company, et al. (Superior Court, Middlesex County, New Jersey, filed September 10, 1996), filed by the Attorney General of New Jersey.

State of Oklahoma, et al. v. R.J. Reynolds Tobacco Company, et al. (filed in the District Court of Cleveland County, Oklahoma, filed September 11, 1996), filed by the Attorney General of Oklahoma on behalf of the state, the Oklahoma Health Care Authority, and the Oklahoma Departments of Human Services, Veterans Affairs, and Health.

State of Utah v. R.J. Reynolds Tobacco Company, et al. (U.S. District Court, Central Division, Utah, filed September 30, 1996), filed by the Attorney General of Utah.

City of New York, et al. v. The Tobacco Institute, et al. (Supreme Court, New York County, New York, filed October 17, 1996), filed by the Corporation Counsel of the City of New York on behalf of the city and the New York City Health and Hospitals Corporation.

The states pursuing the foregoing efforts are doing so at the urging and with the assistance of well known members of the plaintiffs bar and these lawyers have been meeting with attorneys general in other states to encourage them to file similar suits.

In addition to the above, a private citizen has filed suit in the Circuit Court of Wayne County, Michigan, that seeks a writ of mandamus compelling the Governor of the State of Michigan to direct the Attorney General of the State of Michigan to file a reimbursement suit against the cigarette manufacturers and their holding companies named as defendants in the complaint, including the Company and Lorillard (Bleakley, et al. v. Engler, et al., filed March 21, 1996). In the alternative, the complaint seeks certification as a class action with the named plaintiffs representing a class defined as the taxpayers of the State of Michigan. Neither the Company nor Lorillard have received service of process of this suit. Defendants have removed the case to U.S. District Court for the District of Michigan.

Private citizens filed suit in the Circuit Court of Montgomery County, Alabama seeking class certification on behalf of the taxpayers of Alabama. Plaintiffs seek recovery of funds expended by the state in providing health care to individuals allegedly injured by cigarette smoking (Crozier v. The American Tobacco Company, et al., filed August 8, 1996). Plaintiffs seek unspecified amounts in actual damages and punitive damages. Plaintiffs are represented by private counsel. Defendants have removed this case to the

Private citizens have filed suit in Ohio seeking class certification on behalf of the taxpayers of the state. Plaintiffs seek recovery of funds expended by the state in providing health care through its Medicaid, State Teachers Retirement System and State Public Employment Retirement System programs to individuals allegedly injured by cigarette smoking (Coyne v. The American Tobacco Company, et al., U.S. District Court, Northern District, Ohio, filed September 17, 1996). Plaintiffs seek unspecified amounts in restitution and punitive damages, disgorgement of profits, and the funding of smoking cessation and corrective public education campaigns. Plaintiffs are represented by private counsel. The complaint names as defendants Lorillard, Inc., Lorillard Tobacco Company, Loews Corporation, the other major U.S. cigarette manufacturers, their parent or holding companies, companies affiliated with one non-U.S. cigarette manufacturer, the Council for Tobacco Research, the Tobacco Institute and wholesalers or retailers of tobacco products.

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Lorillard, other cigarette manufacturers and others have commenced suits in seven states that seek declaratory judgment or injunctive relief as to the authority of the states or state agencies to commence actions seeking recovery of funds expended to provide health care for citizens with injuries allegedly caused by cigarette smoking, or to retain private counsel under a contingent fee contract to pursue such actions. The case of Philip Morris Incorporated, et al. v. Harshbarger was filed on November 28, 1995 in the U.S. District Court of Massachusetts. The case of Philip Morris Incorporated, et al. v. Morales, et al., was filed on November 28, 1995 in the District Court of Travis County, Texas. This action has been abated by the trial court pending resolution of State of Texas v. The American Tobacco Company, et al. The case of Philip Morris Incorporated, et al. v. Glendening, et al. was filed on January 22, 1996 in the Circuit Court of Talbot County, Maryland. The court has entered an order denying plaintiffs' motion for summary judgment and granting defendants' motion for summary judgment. The tobacco companies have noticed an appeal to the Maryland Court of Appeals. The case of Philip Morris Incorporated, et al. v. Blumenthal was filed on June 28, 1996 in U.S. District Court for the District of Connecticut. The case of Philip Morris Incorporated, et al. v. Graham, et al. was filed on July 15, 1996 in the District Court of Salt Lake County, Utah. The case of Philip Morris Incorporated, et al. v. Verniero, et al., was filed on August 20, 1996, in the Superior Court of Mercer County, New Jersey. The case of Philip Morris Incorporated, et al. v. Bronster, was filed on August 28, 1996, in the United States District Court for the District of Hawaii.

Filter Cases - In addition to the foregoing cases, several cases have been filed against Lorillard seeking damages for cancer and other health effects claimed to have resulted from exposure to asbestos fibers which were incorporated, for a limited period of time, ending forty years ago, into the filter material used in one of the brands of cigarettes manufactured by Lorillard. Twelve such cases are pending in federal and state courts against Lorillard. Allegations of liability against Lorillard include negligence, strict liability, fraud, misrepresentation and breach of warranty. Plaintiffs seek unspecified amounts in compensatory and punitive damages in many cases, and in other cases damages are stated to amount to as much as \$10 in compensatory damages and \$100 in punitive damages. Trials were held in three cases of this type during 1995. In two of the cases, the juries returned verdicts in favor of Lorillard. In the third case, the jury returned a verdict in favor of plaintiffs. The verdict requires Lorillard to pay an amount between \$1.8 and \$2.0 in actual and punitive damages. The precise amount to be paid by Lorillard will be determined at a later date if the verdict withstands review by appellate courts. Lorillard has noticed an appeal from the judgment in plaintiffs' favor. Trials have been held in three cases of this type during 1996. In two of the cases, the juries returned verdicts in favor of Lorillard. In the third case, the jury returned a verdict in favor of plaintiffs. The verdict requires Lorillard to pay the amount of one hundred forty thousand dollars. The trial court has denied Lorillard's post-trial motion. Lorillard has noticed an appeal to the California Court of Appeals.

In addition to the foregoing litigation, one pending case, Cordova v. Liggett Group, Inc., et al. (Superior Court, San Diego County, California, filed May 12, 1992), alleges that Lorillard and other named defendants, including other manufacturers of tobacco products, engaged in unfair and fraudulent business practices in connection with activities relating to the Council for Tobacco Research-USA, Inc., of which Lorillard is a sponsor, in violation of a California state consumer protection law by misrepresenting to or concealing from the public information concerning the health aspects of smoking. Plaintiff seeks an injunction ordering defendants to undertake a "corrective advertising campaign" in California to warn consumers of the

health hazards associated with smoking, to provide restitution to the public for funds "unlawfully, unfairly, or fraudulently" obtained by defendants, and to "disgorge" all revenues and profits acquired as a result of defendants' "unlawful, unfair and/or fraudulent business practices."

Another case, *Ellis v. R.J. Reynolds Tobacco Company, et al.* (Superior Court, Orange County, California, filed July 24, 1996), alleges that the defendants denied and concealed that the nicotine contained within their tobacco products is addictive, and that the defendants controlled and manipulated the nicotine content of their cigarettes in order to create and sustain addiction. Plaintiff seeks declarations that defendants violated provisions of the California Business and Professions Code; injunctions prohibiting the defendants from engaging in conduct that violates the California Business and Professions Code; orders requiring the defendants to fund a public education campaign, smoking cessation programs and corrective advertising campaigns; and orders requiring defendants to disgorge profits and to pay restitution to the general public of California.

One of the defenses raised by Lorillard in certain cases is preemption by the Federal Cigarette Labeling and Advertising Act (the "Labeling Act"). In the case of *Cipollone v. Liggett Group, Inc., et al.*, the United States Supreme Court, in a plurality opinion issued on June 24, 1992, held that the Labeling Act as enacted in 1965 does not preempt common law damage claims but that the Labeling Act, as amended in 1969, does preempt claims against tobacco companies arising after July 1, 1969, which assert that the tobacco companies failed to adequately warn of the alleged health risks of cigarettes, sought to undermine or neutralize the Labeling Act's mandatory health warnings, or concealed material facts concerning the health effects of smoking in their advertising and promotion of cigarettes. The Supreme Court held that claims against tobacco companies based on fraudulent misrepresentation, breach of express warranty, or conspiracy to misrepresent material facts concerning the alleged health effects of smoking are not preempted by the Labeling Act. The Supreme Court in so holding did not consider whether such common law damage actions were valid under state law. The effect of the Supreme Court's decision on pending and future cases against Lorillard and other tobacco companies will likely be the subject of further legal proceedings. Additional litigation involving claims such as those held to be preempted by the Supreme Court in *Cipollone* could be encouraged if legislative proposals to eliminate the federal preemption defense, pending in Congress since 1991, are enacted. It is not possible to predict whether any such legislation will be enacted.

In addition to the defenses based on preemption under the Supreme Court decision referred to above, Lorillard believes that it has a number of other valid defenses to pending cases. These defenses, where applicable, include, among others, statutes of limitations or repose, assumption of the risk, comparative fault, the lack of proximate causation, and the lack of any defect in the product alleged by a plaintiff. Lorillard believes, and has been so advised by counsel, that some or all of these defenses may, in any of the pending or anticipated cases, be found by a jury or court to bar recovery by a plaintiff. Application of valid defenses, including those of preemption, are likely to be the subject of further legal proceedings in the class action cases and in the actions brought by states or state agencies.

Smoking and health related litigation has been brought by plaintiffs against Lorillard and other manufacturers of tobacco products for many years. While Lorillard intends to defend vigorously all such actions which may be brought against it, it is not possible to predict the outcome of any of this litigation. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably. An unfavorable outcome of a pending smoking and health case could encourage the

commencement of additional similar litigation.

Management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of pending litigation. It is possible that the Company's results of operations or cash flows in a particular quarterly or annual period or its financial position could be materially affected by an ultimate unfavorable outcome of certain pending litigation. Management believes, however, that the ultimate outcome of pending litigation should not have a material adverse effect on the Company's financial position.

Other Litigation

The Company and its subsidiaries are also parties to other litigation arising in the ordinary course of business. The outcome of this other

litigation will not, in the opinion of management, materially affect the Company's results of operations or equity.

8. In the opinion of Management, the accompanying consolidated condensed financial statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996 and December 31, 1995 and the results of operations for the three and nine months and changes in cash flows for the nine months ended September 30, 1996 and 1995, respectively.

Results of operations for the third quarter and first nine months of each of the years is not necessarily indicative of results of operations for that entire year.

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

Liquidity and Capital Resources:

Insurance

Property and casualty and life insurance operations are wholly owned subsidiaries of CNA Financial Corporation ("CNA"). CNA is an 84% owned subsidiary of the Company--

CNA has financed its acquisition of The Continental Corporation ("CIC") (including the refinancing of \$205 million of CIC debt), through a five-year \$1.3 billion revolving credit facility. The interest rate is based on the 1,2,3 or 6 month London Interbank Offered Rate ("LIBOR") plus 25 basis points. Additionally, there is a facility fee of 10 basis points annually. The average interest rate was 5.7% at September 30, 1996. In 1996, CNA renegotiated the credit facility extending the maturity by one year. Under the terms of the facility, CNA may prepay the debt without penalty, giving CNA flexibility to arrange longer-term financing on more favorable terms.

In 1995, to take advantage of favorable interest rate spreads, CNA established a Commercial Paper Program, borrowing \$500 million from investors to reduce a like amount of bank financing. In the first nine months of 1996, CNA increased commercial paper borrowings by \$175 million replacing a like amount of bank financing. The weighted average yield on commercial paper at September 30, 1996 was 5.7%. The commercial paper borrowings are classified as long-term debt as \$675 million of the committed credit facility supports the commercial paper program.

CNA entered into interest rate swap agreements with several banks which terminate from May to December 2000. These agreements convert variable rate debt into fixed rate debt resulting in fixed rates on notional amounts of \$1.2 billion. The effect of these interest rate swaps was to increase interest expense by \$1.9 and \$5.6 million for the quarter and nine months ended September 30, 1996.

The weighted average interest rate (interest and facility fees) on the acquisition debt, which includes the revolving credit facility, commercial paper, and the effect of the interest rate swaps, was 6.4% at September 30, 1996.

On March 1, 1996, CNA repaid \$250 million of 8 5/8% senior notes, which had matured.

For the first nine months of 1996, statutory surplus of the property and casualty insurance subsidiaries increased 3.1% to approximately \$5.9 billion. The statutory surplus of the life insurance subsidiaries remained at approximately \$1.1 billion.

The principal cash flow sources of CNA's property and casualty and life insurance subsidiaries are premiums and investment income. The primary operating cash flow uses are payments for claims, policy benefits and operating expenses.

For the first nine months of 1996, CNA's operating activities reflect net negative cash flows of approximately \$65 million, compared to positive cash flows of \$409 million in 1995. The decrease is primarily the result of cash

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flows used by underwriting activities including higher payments for catastrophe related losses and, as discussed in Note 7 of the Notes to Consolidated

Condensed Financial Statements, increased settlement of environmental pollution and asbestos-related claim exposures resulting in a large volume of claim payments in 1996. Also contributing to the decreased operating cash flow is increased interest payments on acquisition debt for the full nine month period in 1996 compared to approximately five months in 1995. Net cash flows are generally invested in marketable securities. Investment strategies employed by CNA's insurance subsidiaries consider the cash flow requirements of the insurance products sold and the tax attributes of the various types of marketable investments.

CNA and the insurance industry are exposed to an unknown amount of liability for environmental pollution, primarily related to toxic waste site clean-up. See Note 7 of the Notes to Consolidated Condensed Financial Statements for further discussion of environmental pollution exposures.

Cigarettes - - - - -

Lorillard, Inc. and subsidiaries ("Lorillard")--

Virtually all of Lorillard's sales are in the full price brand category. With the industry-wide list price reduction of full price brands, effective August 9, 1993, the market share of discount brands has declined and Lorillard's product line has benefited in terms of unit sales. Discount brand sales have decreased from an average of 37% of industry sales during 1993 to an average of 30% during 1995. At September 30, 1996, they represented 28.7% of industry sales.

Lawsuits are being filed with increasing frequency against Lorillard and other manufacturers of tobacco products seeking damages for cancer and other health effects claimed to have resulted from the use of cigarettes or exposure to tobacco smoke. See Note 7 of the Notes to Consolidated Condensed Financial Statements. In a number of these cases the Company is named as a defendant. Pending litigation includes conventional smoking and health cases, purported class actions, governmental entities/medicaid reimbursement actions, and filter cases, most of which claim very substantial damages.

Corporate - - - - -

During the nine months ended September 30, 1996 the Company purchased 2,832,800 shares of its outstanding Common Stock at an aggregate cost of approximately \$215.7 million. The funds required for such purchases were provided from working capital. Depending on market conditions, the Company, from time to time, may purchase shares in the open market or otherwise.

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Investments: - - - - -

Insurance - - - - -

A summary of CNA's general account fixed maturity securities portfolio and short-term investments are as follows:

	September 30, 1996	December 31, 1995	Change in Unrealized Gains (Losses)

	(In millions)		
Fixed income securities:			
U.S. Treasury securities and obligations of government agencies ..	\$ 9,948	\$13,542	\$ (564)
Asset-backed securities	6,045	6,086	(218)
Tax exempt securities	4,147	3,603	(90)
Taxable	6,898	7,214	(207)

Total fixed income securities ..	27,038	30,445	(1,079)
Stocks	975	918	15
Short-term and other investments.....	6,855	4,482	
Derivative security investments	1	41	

Total	\$34,869	\$35,886	\$(1,064)
	=====		
Short-term investments:			
Security repurchase collateral	\$ 603	\$ 776	
Escrow	1,066	1,045	

Others	943	291
Commercial paper	3,550	1,613
Other investments	693	757

Total short-term and other investments	\$ 6,855	\$ 4,482
	=====	

CNA's general account investment portfolio is managed to maximize after tax investment return, while minimizing credit risks, with investments concentrated in high quality securities to support its insurance underwriting operations.

CNA has the capacity to hold its fixed maturity portfolio to maturity. However, securities may be sold as part of CNA's asset/liability strategies or to take advantage of investment opportunities generated by changing interest rates, prepayments, tax and credit considerations, or other similar factors. Accordingly, fixed maturity securities are classified as available for sale.

CNA holds a relatively small amount of derivative financial instruments for purposes of enhancing income and total return. The derivative securities are marked-to-market with valuation changes reported as realized investment gains and losses. CNA's investment in, and risk in relation to, derivative securities is not significant.

The general account portfolio consists primarily of high quality marketable

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debt securities, approximately 96% of which are rated as investment grade. At September 30, 1996, tax exempt securities and short-term investments excluding collateral for securities sold under repurchase agreements, comprised approximately 12% and 16%, respectively, of the general account's total investment portfolio compared to 10% and 8%, respectively, at December 31, 1995. Historically, CNA has maintained short-term assets at a level that provided for liquidity to meet its short-term obligations, as well as reasonable contingencies and anticipated claim payout patterns. The current level of short-term investments is anticipated to cover an increased volume of Fibreboard claim payments (see Note 7 of the Notes to Consolidated Condensed Financial Statements) resulting from the final approval of the Trilateral Agreement, as well as settlement of security transactions. At September 30, 1996, the major components of the short-term investment portfolio consist primarily of high grade commercial paper and U.S. Treasury bills. Collateral for securities sold under repurchase agreements decreased \$173 million to \$603 million at September 30, 1996 from \$776 million at December 31, 1995.

As of September 30, 1996, the market value of CNA's general account investments in fixed maturities was \$27.0 billion and was less than amortized cost by approximately \$20 million. This compares to a market value of \$30.4 billion and \$1,059 million of net unrealized investment gains at December 31, 1995. The gross unrealized investment gains and losses for the fixed maturity securities portfolio at September 30, 1996, were \$352 and \$372 million, respectively, compared to \$1,136 and \$77 million, respectively, at December 31, 1995. The change in unrealized investment gains on the fixed maturity portfolio of \$1,079 million for the nine months ended September 30, 1996 is attributable, in large part, to increases in interest rates which have an adverse effect on bond prices.

Net unrealized investment losses on general account fixed maturities at September 30, 1996 include net unrealized investment losses on high yield securities of \$1 million, compared to net unrealized investment gains of \$67 million at December 31, 1995. The change in unrealized investment gains on high yield securities is attributable to increases in interest rates which have an adverse effect on bond prices. High yield securities are bonds rated as below investment grade by bond rating agencies, plus private placements and other unrated securities which, in the opinion of management, are below investment grade. Fair values of high yield securities in the general account were \$1.2 billion at September 30, 1996, compared to \$1.9 billion at December 31, 1995.

CNA's general account also maintains an equity securities portfolio, the fair value of which was \$975 million compared to cost of \$778 million reflecting unrealized gains of \$197 million at September 30, 1996. The fair value of the equity securities portfolio in the general account was \$918 million compared to a cost of \$736 million, reflecting unrealized gains of approximately \$182 million at December 31, 1995.

At September 30, 1996, total Separate Account cash and investments amounted to \$5.7 billion with taxable fixed maturity securities representing approximately 83% of the Separate Accounts' portfolio. Approximately 80% of Separate Account investments are used to fund guaranteed investments for which CNA's life insurance affiliate guarantees principal and a specified return to the contract holders. The duration of fixed maturity securities included in the guaranteed

investment portfolio are matched approximately with the corresponding payout pattern of the liabilities of the guaranteed investment contracts. The fair value of all fixed maturity securities in the guaranteed investment portfolio was \$4.0 billion compared to \$4.8 billion at December 31, 1995. At September 30, 1996, amortized cost was greater than fair value by approximately \$26 million. This compares to an unrealized gain of \$53 million at December 31, 1995. The gross unrealized investment gains and losses for the fixed maturity securities portfolio at September 30, 1996 were \$56 and \$82 million, respectively.

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Carrying values of high yield securities in the guaranteed investment portfolio were \$603 and \$944 million, respectively, at September 30, 1996 and December 31, 1995. Net unrealized investment losses on such high yield securities held were \$34 million at September 30, 1996, compared to \$14 million at December 31, 1995.

High yield securities generally involve a greater degree of risk than that of investment grade securities. Expected returns should, however, compensate for the added risk. The risk is also considered in the interest rate assumptions in the underlying insurance products. At September 30, 1996, CNA's concentration in high yield bonds, including Separate Accounts, was approximately 3% of its total assets. In addition, CNA's investment in mortgage loans and investment real estate are substantially below the industry average, representing less than one half of one percent of its total assets.

Included in CNA's fixed maturity securities at September 30, 1996 (general and guaranteed investment portfolios) are \$8.3 billion of asset-backed securities, consisting of approximately 36% in collateralized mortgage obligations ("CMO's"), 12% in corporate asset-backed obligations, and 42% in U.S. government agency issued pass-through certificates. The majority of CMO's held are U.S. government agency issues, which are actively traded in liquid markets and are priced monthly by broker-dealers. At September 30, 1996, the fair value of asset-backed securities was more than amortized cost by approximately \$69 million compared to unrealized investment gains of \$200 million at December 31, 1995. CNA limits the risks associated with interest rate fluctuations and prepayment by concentrating its CMO investments in early planned amortization classes with relatively short principal repayment windows.

Over the last few years, much concern has been raised regarding the quality of insurance company invested assets. At September 30, 1996, 56% of the general account's fixed maturity securities portfolio was invested in U.S. government securities, 25% in other AAA rated securities and 11% in AA and A rated securities. CNA's guaranteed investment fixed maturity securities portfolio is comprised of 38% U.S. government securities, 18% in other AAA rated securities and 15% in AA and A rated securities. These ratings are primarily from nationally recognized rating agencies.

Other
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Investment activities of non-insurance companies include investments in fixed maturities securities, equity securities, derivative instruments and short-term investments. Derivative instruments are marked-to-market with valuation changes reported as realized investment gains or losses in the income statement. The remaining securities are carried at fair value with a net unrealized gain of \$51.1 million at December 31, 1995. Effective January 1, 1996, equity securities added to the parent company's investment portfolio are classified as trading securities in order to reflect the Company's investment philosophy. These investments are carried at fair value with the net unrealized gain or loss included in the income statement.

The Company invests in certain derivative instruments for income enhancements as part of its portfolio management strategy. These instruments include various swaps, forwards and futures contracts as well as both purchased and written options.

These investments subject the Company to market risk for positions where the Company does not hold an offsetting security. The Company controls this risk through monitoring procedures which include daily detailed reports of existing positions and valuation fluctuations. These reports are reviewed by members of senior management to ensure that open positions are consistent with the

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Company's portfolio strategy.

The credit exposure associated with these instruments is generally limited to the positive market value of the instruments and will vary based on changes in market prices. The Company enters into these transactions with large financial institutions and considers the risk of nonperformance to be remote. In addition, the amounts subject to credit risk are substantially mitigated by collateral

requirements in many of these transactions.

The Company does not believe that any of the derivative instruments utilized by it are unusually complex or volatile, or expose the Company to a higher degree of risk. See "Results of Operations -- Other". See Note 4 of the Notes to Consolidated Financial Statements in the 1995 Annual Report on Form 10-K, included in Item 8 for additional information with respect to derivative instruments.

Results of Operations:

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Revenues increased by \$256.7 and \$2,123.3 million, or 5.2% and 16.1%, and net income increased by \$2.2 and \$115.5 million, or .6% and 11.3%, respectively, for the quarter and nine months ended September 30, 1996 as compared to the prior year. The following table sets forth the major sources of the Company's consolidated revenues and net income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
(In millions)				
Revenues (a):				
Property and casualty insurance	\$3,246.0	\$3,104.7	\$ 9,693.0	\$ 8,069.2
Life insurance	1,012.5	890.2	2,993.1	2,634.7
Cigarettes	589.3	539.8	1,654.3	1,524.6
Hotels	52.7	65.9	148.4	169.3
Drilling	178.0	92.0	435.8	240.1
Watches and clocks	34.7	27.1	84.2	77.2
Investment income-net (non-insurance companies)	111.1	237.1	317.5	460.7
Other and eliminations-net	(8.0)	2.8	(20.9)	6.3
	\$5,216.3	\$4,959.6	\$15,305.4	\$13,182.1
Net income (a):				
Property and casualty insurance	\$ 172.7	\$ 126.3	\$ 554.4	\$ 400.4
Life insurance	38.3	29.2	133.2	126.0
Cigarettes	121.2	96.4	304.8	271.7
Hotels	3.4	12.0	5.1	16.4
Drilling	12.9	.2	33.4	(12.7)
Watches and clocks	3.8	.9	5.1	2.1
Investment income-net (non-insurance companies)	71.0	151.1	203.9	296.9
Corporate interest expense	(18.2)	(15.4)	(53.0)	(46.2)
Unallocated corporate expense and other-net	(16.5)	(14.3)	(50.8)	(34.0)
	\$ 388.6	\$ 386.4	\$ 1,136.1	\$ 1,020.6

(a) Includes realized investment gains as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
(In millions)				
Revenues:				
Property and casualty insurance	\$ 71.6	\$ 80.8	\$351.4	\$215.5
Life insurance	32.6	14.6	134.6	119.8
Investment income-net	62.3	199.3	170.5	365.8
	\$166.5	\$294.7	\$656.5	\$701.1
Net income:				
Property and casualty insurance	\$ 44.0	\$ 44.3	\$195.7	\$116.5
Life insurance	18.6	7.6	66.5	61.4
Investment income-net	40.1	129.2	110.9	237.2

\$102.7	\$181.1	\$373.1	\$415.1
=====	=====	=====	=====

Insurance

Property and casualty revenues, excluding realized investment gains, increased by \$150.5 and \$1,487.9 million, or 5.0% and 18.9%, respectively for the quarter and nine months ended September 30, 1996, as compared to the same periods a year ago.

Property and casualty premium revenues increased by \$164.9 and \$1,204.2 million, or 6.8% and 18.9%, respectively, for the quarter and nine months ended September 30, 1996, from the prior year's comparable period. The increase in earned premium is primarily due to an increase in personal lines premium resulting from cancellation of a quota share agreement under which CIC was ceding premium, and also an increase in mass marketing business. Additionally, earned premium increased with the inclusion of CIC business for the full nine months of 1996, partially offset by a decline in workers' compensation premiums. Net investment income decreased by \$15.8 million or 3.4% and increased by \$157.5 million, or 12.8%, for the quarter and nine months compared with the same periods in the prior year. Investment income increased for the nine months of 1996 due primarily to the inclusion of the CIC portfolio for the full nine months of 1996, partially offset by a lower asset base resulting from operating cash outflows in 1996 and the repayment of \$250 million in long-term debt. The decrease for the quarter in investment income was due primarily to the cash outflows noted above. The bond segment of the investment portfolio yielded 6.6% in the first nine months of 1996 compared with 7.0% for the same period a year ago.

Life insurance revenues, excluding realized investment gains, increased by \$104.3 and \$343.6 million, or 11.9% and 13.7% as compared to the same periods a year ago. Life premium revenues increased by \$74.6 and \$265.0 million, or 9.7% and 12.0%, for the quarter and nine months ended September 30, 1996 with the primary growth in both group business and individual life business, which markets term, universal life and annuities. Life net investment income increased by \$9.8 and \$29.1 million, or 11.0% and 10.9%, for the quarter and nine months ended September 30, 1996, compared to the same period a year ago due to a larger asset base generated from increased cash flows from premium growth. The bond segment of the life investment portfolio, which is the primary investment

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segment, yielded 6.7% in the first nine months of 1996 compared with 7.0% for the same period a year ago.

Property and casualty underwriting losses for the quarter and nine months ended September 30, 1996 were \$249.0 and \$783.0 million, compared to \$285.1 and \$749.1 million for the same period in 1995. Operating results reflect continued favorable loss trends particularly in workers' compensation business, partially offset by increased weather related catastrophe costs. Pre-tax catastrophe losses for the quarter and nine months ended September 30, 1996 were \$72.2 and \$280.2 million, compared with \$37.9 and \$115.9 million in 1995. In addition, underwriting expenses reflect expected economies of scale from merging the operations of CIC with CNA.

The components of CNA's realized investment gains are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
(In millions)				
Bonds:				
U.S. Government	\$(10.4)	\$ 1.3	\$102.0	\$ 99.2
Taxable	64.2	(12.9)	109.0	(17.6)
Asset-backed	1.8	1.8	23.1	35.7
Tax exempt	4.0	5.7	13.5	23.6
Total bonds	59.6	(4.1)	247.6	140.9
Stocks	19.0	74.6	148.2	126.3
Derivative instruments	(.7)	8.0	11.3	.8
Separate Accounts and other	31.4	19.2	80.0	71.3

Total realized investment gains	\$109.3	\$ 97.7	\$487.1	\$ 339.3
	=====	=====	=====	=====

CNA's primary property and casualty subsidiary, Continental Casualty Company ("Casualty"), is party to litigation with Fibreboard Corporation ("Fibreboard") involving coverage for certain asbestos-related claims and defense costs (see Note 7 of the Notes to Consolidated Condensed Financial Statements).

On July 27, 1995, the United States District Court for the Eastern District of Texas entered judgment approving the Global Settlement Agreement (see Note 7 of the Notes to Consolidated Condensed Financial Statements for a discussion on the Global Settlement) and the Trilateral Agreement. As expected, appeals were filed as respects both of these decisions. On July 25, 1996, a panel of the United States Fifth Circuit Court of Appeals in New Orleans affirmed the judgment approving the Global Settlement Agreement by a 2 to 1 vote and affirmed the judgment approving the Trilateral Agreement by a 3 to 0 vote. A petition has been filed for re-hearing by the entire Fifth Circuit Court of Appeals as respects the decision on the Global Settlement Agreement.

No further appeal has been filed with respect to the Trilateral Agreement and CNA believes that the time to file any such further appeal has expired, and accordingly, CNA believes that court approval of the Trilateral Agreement has become final. The implementation of the Trilateral Agreement has the effect of settling Casualty's litigation with Fibreboard. CNA currently expects that Casualty's litigation with Fibreboard will be dismissed during the first quarter of 1997.

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Cigarettes

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Revenues increased by \$49.5 and \$129.7 million, or 9.2% and 8.5%, and net income increased by \$24.8 and \$33.1 million, or 25.7% and 12.2%, respectively, for the quarter and nine months ended September 30, 1996 as compared to the corresponding periods of the prior year.

The increase in revenues is primarily composed of an increase of approximately \$32.7 and \$82.1 million, or 6.1% and 5.4%, due to higher unit sales volume and an increase of approximately \$15.5 and \$44.4 million, or 2.9% and 2.9%, reflecting higher average unit prices for the quarter and nine months ended September 30, 1996, respectively, as compared to the prior year. Net income increased as a result of the improved revenues, partially offset by higher advertising, sales promotion and legal expenses.

Hotels

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Revenues decreased by \$13.2 and \$20.9 million, or 20.0% and 12.3%, and net income decreased by \$8.6 and \$11.3 million, or 71.7% and 68.9%, for the quarter and nine months ended September 30, 1996, as compared to the prior year.

Revenues and net income decreased for the quarter and nine months ended September 30, 1996, as compared to the prior year, due primarily to a pre-tax and after tax gain of \$14.5 and \$9.5 million, respectively, related to the division's cessation of casino operations at its Monte Carlo hotel in 1995. In addition, the 1995 nine month period included receipt of a \$3.9 million payment related to termination of a management contract as well as revenues from casino operations. Exclusive of these 1995 events, revenues and net income for the quarter and nine months ended September 30, 1996 increased due primarily to higher overall average room rates.

Drilling

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Revenues increased by \$86.0 and \$195.7 million and net income increased by \$12.7 and \$46.1 million, respectively, for the quarter and nine months ended September 30, 1996, as compared to the prior year.

Revenues from semisubmersible rigs increased by \$63.2 and \$145.6 million, or 68.7% and 60.6%, for the quarter and nine months ended September 30, 1996, respectively. These increases reflect additional revenues (\$32.9 and \$57.1) from eight semisubmersible rigs acquired through Arethusa and higher dayrates recognized by semisubmersible rigs located in the North Sea and the Gulf of Mexico. Revenues from jackup rigs increased by \$17.4 and \$33.3 million, or 18.9% and 13.9%, due to additional rigs acquired through Arethusa and improvements in dayrates in the Gulf of Mexico.

Net income for the quarter and nine months ended September 30, 1996 increased due primarily to the higher revenues discussed above and lower interest expense, partially offset by increased provision for minority interest as a result of the

dilutive effect of Diamond Offshore's initial public offering in October 1995 and its subsequent acquisition of Arethusa in April 1996.

Watches and Clocks

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Revenues increased by \$7.6 and \$7.0 million, or 28.0% and 9.1%, and net income increased by \$2.9 and \$3.0 million, respectively, for the quarter and nine months ended September 30, 1996 as compared to the prior year.

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Revenues increased for the quarter and nine months ended September 30, 1996 due primarily to increased watch unit sales, partially offset by interest income of \$4.2 million recorded in the 1995 nine month period related to a prior year tax audit adjustment.

Net income increased for the quarter and nine months ended September 30, 1996 due primarily to the increased revenues discussed above, partially offset by a benefit of \$1.0 million related to the prior year tax audit adjustment.

Other

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Revenues decreased by \$136.8 and \$170.4 million, or 57.0% and 36.5%, and net income decreased by \$85.1 and \$116.6 million, or 70.1% and 53.8%, respectively, for the quarter and nine months ended September 30, 1996 as compared to the prior year.

The components of realized investment gains (losses) included in Investment income-net are as follows:

	Three Months Ended September 30, 1996		Nine Months Ended September 30, 1996	
	1996	1995	1996	1995

(In millions)				

Revenues:				
Derivative instruments (1)	\$ 39.7	\$(15.1)	\$(63.2)	\$ (20.8)
Short-term investments	16.8	(.4)	24.5	38.2
Arethusa acquisition (2)			186.6	
Sale of Champion International common stock		227.5	20.3	372.9
Other	5.8	(12.7)	2.3	(24.5)

	62.3	199.3	170.5	365.8
Income tax expense	(21.6)	(69.8)	(59.4)	(128.1)
Minority interest	(.6)	(.3)	(.2)	(.5)

Net income	\$ 40.1	\$129.2	\$110.9	\$ 237.2
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(1) Consists primarily of common stock index futures.

(2) See Note 6 of the Notes to Consolidated Condensed Financial Statements.

Exclusive of securities transactions, revenues increased \$.2 and \$24.9 million, or .5% and 24.6%, respectively, for the quarter and nine months ended September 30, 1996 due primarily to increased investment income reflecting increased levels of invested assets, partially offset by the absence of intercompany interest income of \$8.9 and \$26.1 million, and equity income from CBS of \$4.0 and \$13.0 million. Net income increased by \$4.0 and \$9.7 million, or 51.3% and 47.3%, respectively, for the quarter and nine months ended September 30, 1996 due to increased revenues, partially offset by higher interest expense.

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Accounting Standards

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In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." This Statement establishes accounting standards based on consistent application of a financial-components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognized the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial

assets when control has been surrendered, and derecognizes liabilities when extinguished. The statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. This Statement is effective for transfers and servicing of financial assets and extinguishment of liabilities occurring after December 31, 1996, and is to be applied prospectively. This Statement will not have a significant impact on the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

1. CNA is involved in various lawsuits involving environmental pollution claims and litigation with Fibreboard Corporation. Information involving such lawsuits is incorporated by reference to Note 7 of the Notes to Consolidated Condensed Financial Statements in Part I.

2. Lorillard is involved in various lawsuits involving tobacco products seeking damages for cancer and other health effects claimed to have resulted from the use of cigarettes or from exposure to tobacco smoke. Information involving such lawsuits is incorporated by reference to Note 7 of the Notes to Consolidated Condensed Financial Statements in Part I.

In addition, on May 8, 1996, Lorillard received a grand jury subpoena duces tecum from the United States Attorney's Office for the Eastern District of New York. This subpoena relates to an investigation commenced in 1992 by that office regarding possible fraud by Lorillard and other tobacco companies relating to research undertaken or administered by the Council for Tobacco Research - USA, Inc., as reported in Item 1 of the Company's annual report on Form 10-K for the year ended December 31, 1995. It is impossible at this time to predict the ultimate outcome of this investigation. An adverse outcome of this investigation could result in criminal, administrative or other proceedings against Lorillard.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits--

(3.01) By-Laws

(27) Financial Data Schedule for the nine months ended September 30, 1996.

(b) Current reports on Form 8-K--There were no reports on Form 8-K filed for the nine months ended September 30, 1996.

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SIGNATURES

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

LOEWS CORPORATION

(Registrant)

Dated: November 14, 1996

By /s/ Roy E. Posner

ROY E. POSNER
Senior Vice President and
Chief Financial Officer
(Duly authorized officer
and principal financial
officer)

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AS AMENDED THROUGH
September 17, 1996

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LOEWS CORPORATION

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By-Laws
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BY-LAWS

OF

LOEWS CORPORATION
(A Delaware Corporation)

ARTICLE 1

Definitions

As used in these By-laws, unless the context otherwise requires, the term:

- 1.1 "Assistant Secretary" means an Assistant Secretary of the Corporation.
- 1.2 "Assistant Treasurer" means an Assistant Treasurer of the Corporation.
- 1.3 "Board" means the Board of Directors of the Corporation.
- 1.4 "By-laws" means the initial by-laws of the Corporation, as amended from

time to time.

1.5 "Certificate of Incorporation" means the initial certificate of incorporation of the Corporation, as amended, supplemented or restated from time to time.

1.6 "Corporation" means Loews Corporation.

1.7 "Directors" means directors of the Corporation.

1.8 "General Corporation Law" means the General Corporation Law of the State of Delaware, as amended from time to time.

1.9 "Office of the Corporation" means the executive office of the Corporation, anything in Section 131 of the General Corporation Law to the contrary notwithstanding.

1.10 "Chairman of the Board" means the Chairman of the Board of Directors of the Corporation.

1.11 "President" means the President of the Corporation.

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1.12 "Secretary" means the Secretary of the Corporation.

1.13 "Stockholders" means stockholders of the Corporation.

1.14 "Treasurer" means the Treasurer of the Corporation.

1.15 "Vice President" means a Vice President of the Corporation.

ARTICLE 2

STOCKHOLDERS

2.1 Place of Meetings. Every meeting of the stockholders shall be held at the -----
office of the Corporation or at such other place within or without the State of Delaware as shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof.

2.2 Annual Meeting. A meeting of stockholders shall be held annually for the -----
election of directors and the transaction of other business at such hour as may be designated in the notice of meeting, on the second Tuesday in May in each year (or, if such date falls on a legal holiday, on the first business day thereafter which is not a Saturday, Sunday or legal holiday), or on such other date not later than six months after the end of the fiscal year of the Corporation, as may be fixed by the Board.

2.3 Special Meetings. A special meeting of stockholders, unless otherwise -----
prescribed by statute, may be called at any time by the Board or by the Chairman of the Board and Chief Executive Officer, the President or by the Secretary and shall be called by the Chairman of the Board and Chief Executive Officer, the President or by the Secretary on the written request of holders of a majority or more of the shares of capital stock of the Corporation entitled to vote in an election of directors, which written request shall state the purpose or purposes of such meeting. At any special meeting of stockholders only such business may be transacted which is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.5 of the By-laws or in any waiver of notice thereof given pursuant to Section 2.4 of the By-laws.

2.4 Fixing Record Date. For the purpose of determining the stockholders -----
entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or for the purpose of determining stockholders entitled to receive payment of any dividend or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action,

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the Board may fix, in advance, a date as the record date for any such determination of stockholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no such record date is fixed:

2.4.1 The record date for determining stockholders entitled to notice of or

to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

2.4.2 The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board is necessary, shall be the day on which the first written consent is expressed;

2.4.3 The record date for determining stockholders for any purpose other than specified in Sections 2.4.1 and 2.4.2 shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

When a determination of stockholders entitled to notice of or to vote at any meeting of stockholders has been made as provided in this Section 2.4 such determination shall apply to any adjournment thereof, unless the Board fixes a new record date for the adjourned meeting.

2.5 Notice of Meetings of Stockholders. Except as otherwise provided in

Sections 2.3 and 2.4 of the By-laws, whenever under the General Corporation Law or the Certificate of Incorporation or the By-laws, stockholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. A copy of the notice of any meeting shall be given, personally or by mail not less than ten nor more than fifty days before the date of the meeting, to each stockholder entitled to notice of or to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the Corporation that the notice required by this section has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

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2.6 List of Stockholders. The Secretary shall prepare and make, or cause to be

prepared and made, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.7 Quorum of Stockholders; Adjournment. The holders of a majority of the

shares of stock entitled to vote at any meeting of stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting. When a quorum is once present to organize a meeting of stockholders, it is not broken by the subsequent withdrawal of any stockholders. The holders of a majority of the shares of stock present in person or represented by proxy at any meeting of stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place.

2.8 Voting; Proxies. Unless otherwise provided in the Certificate of

Incorporation every stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of capital stock standing in his name on the record of stockholders determined in accordance with Section 2.4 of the By-laws. If the Certificate of Incorporation provides for more or less than one vote for any share, on any matter, every, reference in the By-laws or the General Corporation Law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock. The provisions of Sections 212 and 217 of the General Corporation Law shall apply in determining whether any shares of capital stock may be voted and the persons, if any, entitled to vote such shares; but the Corporation shall be protected in

treating the persons in whose names shares of capital stock stand on the record of stockholders as owners thereof for all purposes. At any meeting of stockholders, a quorum being present, all matters, except as otherwise provided by law or by the Certificate of Incorporation or by the By-laws, shall be decided by a majority of the votes cast at such meeting by the holders of shares present in person or represented by proxy and entitled to vote thereon. All elections of directors shall be by written ballot unless otherwise provided in the Certificate of Incorporation. In voting on any other question on which a vote by ballot is required by law or is demanded by any stockholder entitled to vote, the voting shall be by ballot. Each ballot shall be signed by the stockholder voting or by his proxy, and shall state the number of shares voted. On all other questions, the voting may be viva voce. Every stockholder entitled to vote at a meeting of stockholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. The validity and enforceability of any proxy shall be determined in accordance with Section 212 of the General Corporation Law.

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2.9 Selection and Duties of Inspectors at Meetings of Stockholders. The Board,

in advance of any meeting of stockholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at such meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting or any stockholder entitled to vote thereat, the inspector or inspectors shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated and of the vote as certified by him or them.

2.10 Organization. At every meeting of stockholders, the Chairman of the Board

and Chief Executive Officer, or in his absence the President, or in the absence of both of them the Senior Vice President, or in the absence of all of them the Executive Vice President or in the absence of all of them the most senior Vice President (based on term of service as Vice President) present, shall act as chairman of the meeting. The Secretary, or in his absence one of the Assistant Secretaries, shall act as secretary of the meeting. In case none of the officers above designated to act as chairman or secretary of the meeting, respectively, shall be present a chairman or a secretary of the meeting, as the case may be, shall be chosen by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

2.11 Order of Business. The order of business at all meetings of stockholders

shall be as determined by the chairman of the meeting, but the order of business to be followed at any meeting at which a quorum is present may be changed by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

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ARTICLE 3

Directors

3.1 General Powers. Except as otherwise provided in the Certificate of

Incorporation, the business and affairs of the Corporation shall be managed by the Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or the By-laws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers expressly conferred by the By-laws, the Board may exercise all powers and perform all acts which are not required, by the By-laws or the Certificate of Incorporation or by law, to be exercised and performed by the stockholders.

3.2 Number; Qualification; Term of Office. The Board shall consist of one or

more members. The number of directors shall be fixed initially by the Board and may thereafter be changed from time to time by action of the stockholders or of the Board. Directors need not be stockholders. Each director shall hold office until his successor is elected and qualified or until his earlier death, resignation or removal.

3.3 Election. Directors shall except as otherwise required by law or by the

Certificate of Incorporation, be elected by a plurality of the votes cast at a meeting of stockholders by the holders of shares entitled to vote in the election.

3.4 Newly Created Directorships and Vacancies. Unless otherwise provided in

the Certificate of Incorporation, newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any reason, including the removal of directors without cause, may be filled by vote of a majority of the directors then in office, although less than a quorum, at any meeting of the Board or may be elected by a plurality of the votes cast by the holders of shares of capital stock entitled to vote in the election at a special meeting of stockholders called for that purpose. A director elected to fill a vacancy shall be elected to hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

3.5 Resignations. Any director may resign at any time by written notice to the

Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

3.6 Removal of Directors. Any or all of the directors may be removed (i) for

cause, by vote of the stockholders or by action of the Board, and (ii) without cause, by vote of the stockholders.

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3.7 Remuneration. Unless otherwise expressly provided by resolution adopted by

the Board, none of the directors or of the members of any committee of the Corporation contemplated by these By-laws or otherwise provided for by resolution of the Board shall as such receive any stated remuneration for his services; but the Board may at any time or from time to time by resolution provide that remuneration shall be paid to, or on behalf of, any director of the Corporation or to any member of any such committee who shall not be in the employ of the Corporation or of any of its subsidiary companies, either as his annual remuneration as such director or member or as remuneration for his attendance at each meeting of the Board or of such committee. The Board may also likewise provide that the Corporation shall reimburse each such director or member of such committee for any expenses paid by him on account of his attendance at any such meeting. Nothing in this Section contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

3.8 Place and Time of Meetings of the Board. Meetings of the Board, regular or

special, may be held at any place within or without the State of Delaware. The times and places for holding meetings of the Board may be fixed from time to time by resolution of the Board or (unless contrary to resolution of the Board) in the notice of the meeting.

3.9 Annual Meetings. On the day when and at the place where the annual meeting

of stockholders for the election of directors is held, and as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of organization the election of officers and the transaction of other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.11 of the By-laws for special meetings of the Board or in a waiver of notice thereof.

3.10 Regular Meetings. Regular meetings of the Board may be held at such times

and places as may be fixed from time to time by the Board. Unless otherwise required by the Board, regular meetings of the Board may be held without notice. If any day fixed for a regular meeting of the Board shall be a Saturday or Sunday or a legal holiday at the place where such meeting is to be held, then such meeting shall be held at the same hour at the same place on the first business day thereafter which is not a Saturday, Sunday or legal holiday.

3.11 Special Meetings. Special meetings of the Board shall be held whenever

called by the Chairman of the Board, the President, or the Secretary or by any two or more directors. Notice of each special meeting of the Board shall, if mailed, be addressed to each director at the address designated by him for that purpose or, if none is designated, at his last known address at least two days before the date on which the meeting is to be held; or such notice shall be sent to each director at such address by telegraph, cable or wireless, or be delivered to him personally, not later than the day before the date on which such meeting is to be held. Every such notice shall state the time and place of the meeting but need not state the purposes of the meeting, except to the extent required by law. If mailed,

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each notice shall be deemed given when deposited, with postage thereon prepaid, in a post office or official depository under the exclusive care and custody of the United States Post Office Department. Such mailing shall be by first-class mail.

3.12 Adjourned Meetings. A majority of the directors present at any meeting of

the Board, including an adjourned meeting, whether or not a quorum is present may adjourn such meeting to another time and place. Notice of any adjourned meeting of the Board need not be given to any director whether or not present at the time of the adjournment. Any business may be transacted at any adjourned meeting that might have been transacted at the meeting as originally called.

3.13 Waiver of Notice. Whenever notice is required to be given to any director

or member of a committee of directors under any provision of the General Corporation Law or of the Certificate of Incorporation or By-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice.

3.14 Organization. At each meeting of the Board, the Chairman of the Board, or

in the absence of the Chairman of the Board, the President of the Corporation, or in the absence of the Chairman of the Board and the President, the Vice Chairman of the Board, or in the absence of all of them a chairman chosen by the majority of the directors present, shall preside. The Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.15 Quorum of Directors. A majority of the directors then in office shall

constitute a quorum for the transaction of business or of any specified item of business at any meeting of the Board.

3.16 Action by the Board. All corporate action taken by the Board or any

committee thereof shall be taken at a meeting of the Board, or of such committee, as the case may be, except that any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee. Members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can

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hear each others and participation in a meeting pursuant to this Section 3.16 shall constitute presence in person at such meeting. Except as otherwise provided by the Certificate of Incorporation or by law, the vote of a majority of the directors present (including those who participate by means of conference telephone or similar communications equipment) at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

COMMITTEES OF THE BOARD

4.1 Executive Committee; Number, Appointment, Term of Office, etc. (a) The

 Board, by resolution adopted by a majority of the whole Board, may designate an Executive Committee consisting of the Chairman of the Board and Chief Executive Officer and the President and such other directors as it may designate. Each member of the Executive Committee shall continue to be a member thereof only so long as he remains a director and at the pleasure of a majority of the whole Board. Any vacancies on the Executive Committee may be filled by the majority of the whole Board.

(b) The Executive Committee, between meetings of the Board, shall have and may exercise the powers of the Board in the management of the property, business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Without limiting the foregoing, the Executive Committee shall have the express power and authority to declare a dividend, to authorize the issuance of stock, and to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware.

(c) At each meeting of the Executive Committee, one of the following shall act as chairman of the meeting and preside thereat in the following order of precedence:

- (i) the Chairman of the Executive Committee, who shall be appointed from among the members of the Executive Committee by the Board;
- (ii) the Vice Chairman of the Executive Committee, who shall be appointed from among the members of the Executive Committee by the Board;
- (iii) the Chairman of the Board, if chief executive officer (if he is not the Chairman or the Vice Chairman of the Executive Committee);
- (iv) the President (if he is not the Chairman or the Vice Chairman of the Executive Committee);

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- (v) the Senior Vice President (if he is not the Chairman or the Vice Chairman of the Executive Committee).

The Secretary, or if he shall be absent from such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

(d) Regular meetings of the Executive Committee, of which no notice shall be necessary, shall be held on such days and at such places, within or without the State of Delaware, as shall be fixed by resolution adopted by a majority of the Executive Committee. Special meetings of the Executive Committee shall be held whenever called by the Chairman of the Board, if Chief Executive Officer, the President, the Chairman of the Executive Committee or by the Vice Chairman of the Executive Committee and shall be called by the Secretary of the Corporation on the request of a majority of the Executive Committee. Notice of each special meeting of the Executive Committee shall be given to each member thereof by depositing such notice in the United States mail, in a postage prepaid envelope, directed to him at his residence or usual place of business at least two days before the day on which such meeting is to be held or shall be sent addressed to him at such place by telegraph, cable, wireless or other form of recorded communication or be delivered personally or by telephone a reasonable time in advance of the time at which such meeting is to be held. Notice of any such meeting need not, however, be given to any member of the Executive Committee if he shall be present at such meeting. Any meeting of the Executive Committee shall be a legal meeting without any Notice thereof having been given if all the members of the Executive Committee shall be present thereat. Such notice shall specify the time and place of the meeting, but except as otherwise expressly provided by law, the purposes thereof need not be stated in such notice. Subject to the provisions of these By-laws, the Executive Committee may fix its own rules of procedure, and it shall keep a record of its proceedings and report them to the Board at the next regular or special meeting thereof after such proceedings shall have been taken. All such proceedings shall be subject to revision or alteration by the Board; provided, however, that third parties shall not be prejudiced by any such revision or alteration.

(e) Except as otherwise provided by law, a majority of the Executive Committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting thereof shall be the act of the Executive Committee. In the absence of a quorum, a majority of the members

of the Executive Committee present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. The Executive Committee shall act only as a committee, and the individual members shall have no power as such.

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(f) Any member of the Executive Committee may resign therefrom at any time by giving written notice of his resignation to the Chairman of the Board, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, it shall take effect immediately upon its receipt; and, except as specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(g) In addition to the foregoing, in the absence or disqualification of a member of the Executive Committee, the members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

4.2 Other Committees of the Board. The Board, by resolution adopted by a

majority of the whole Board, may designate one or more other committees, which shall in each case consist of such number of directors, but not less than two, and shall have and may exercise such powers for such periods, as the Board may determine in the resolution designating such committee. A majority of the members of any such committee may fix its rules of procedure, determine its action, fix the time and place, whether within or without the State of Delaware, of its meetings and specify what notice thereof, if any, shall be given, unless the Board shall by resolution adopted by a majority of the whole Board otherwise provide. Each member of any such committee shall continue to be a member thereof only so long as he remains a director and at the pleasure of a majority of the whole Board. Any vacancies on any such committee may be filled by a majority of the whole Board.

4.3 Other Committees. Nothing hereinbefore contained in this Article 4 shall

be deemed to preclude the designation by the Chairman of the Board, if Chief Executive Officer, or the President, of committees, other than committees of the Board, which may include officers and employees who are not directors.

ARTICLE 5

OFFICERS

5.1 Officers. The Board shall elect a Chairman of the Board and Chief

Executive Officer, a President, a Chairman of the Executive Committee, a Chairman of the Management Committee, a Secretary and a Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board may deem necessary, and may elect or appoint one or more Vice Presidents and such other officers as it may determine. The Board may designate one or more Vice Presidents as Senior Vice President, Executive Vice President, and may use descriptive words or phrases to designate the standing, seniority or area of special competence of the Vice Presidents elected or appointed by it. Each officer shall hold his office until his successor is elected and qualified or until his earlier death, resignation

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or removal in the manner provided in Section 5.2 of the By-laws. Any two or more offices may be held by the same person. The Board may require any officer to give a bond or other security for the faithful performance of his duties, in such amount and with such sureties as the Board may determine. All officers as between themselves and the Corporation shall have such authority and perform such duties in the management of the Corporation as may be provided in the By-laws or as the Board may from time to time determine.

5.2 Removal of Officers. Any officer elected or appointed by the Board may be

removed by the Board with or without cause. The removal of an officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an officer shall not of itself create contract rights.

5.3 Resignations. Any officer may resign at any time in writing by notifying

the Board, The Chairman of the Board and Chief Executive Officer, the President or the Secretary. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it

effective. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any.

5.4 Vacancies. A vacancy in any office because of death, resignation, removal,

disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in the By-laws for the regular election or appointment to such office.

5.5 Compensation. Salaries or other compensation of the officers may be fixed

from time to time by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a director.

5.6 Chairman of the Board and Chief Executive Officer. The Chairman of the

Board and Chief Executive Officer of the Corporation shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of directors. The Chairman of the Board and Chief Executive Officer shall, if present, preside at all meetings of the stockholders and at all meetings of the Board. He may, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation. He may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed and, in general, he shall perform all duties incident to the office of Chairman of the Board and Chief Executive Officer and such other duties as from time to time may be assigned to him by the Board. The Board may designate two persons to serve as Co-Chairman of the Board and Co-Chief Executive Officer of the Corporation

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in which case each reference in these By-Laws to the "Chairman of the Board and Chief Executive Officer" shall mean the "Co-Chairmen of the Board and Co-Chief Executive Officers". Where both individuals holding such office are present, the individual with greater seniority shall exercise the powers of the office, unless otherwise directed by the Board.

5.7 President. At the request of the Chairman of the Board and Chief Executive

Officer, or in his absence, at the request of the Board, the President shall perform all of the duties of the Chairman of the Board and Chief Executive Officer and so acting shall have all the powers of, and be subject to all restrictions upon the Chairman of the Board and Chief Executive Officer. The President may also, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation; may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed; and shall perform such other duties as from time to time may be assigned to him by the Board or by the Chairman of the Board.

5.8 Chairman of the Executive Committee. The Chairman of the Executive

Committee shall have the powers and duties incident to that office and shall have other powers and duties as may be prescribed from time to time by the Board of Directors. He shall be a member of the Executive Committee and shall preside at all meetings of the Executive Committee. In the event of the absence or disability of the Chairman of the Board and Chief Executive Officer and of the President, he shall perform the duties of the Chairman of the Board and Chief Executive Officer and of the President, unless the Board of Directors shall have designated another person to perform such duties.

5.9 Chairman of the Management Committee. The Chairman of the Management

Committee shall have the powers and duties incident to that office. As such he shall consider matters relating to strategic planning, including potential for acquisitions and dispositions of businesses, the management of the Corporation and such other matters as the Board of Directors may from time to time determine. He shall be a member of the Management Committee and shall preside at all meetings of the Management Committee.

5.10 Vice Presidents. At the request of the Chairman of the Board and Chief

Executive Officer, or in his absence, at the request of the President, or in the absence of both of them, at the request of the Board, the Vice Presidents shall (in such order as may be designated by the Board or in the absence of any such

designation in order of seniority based on age) perform all of the duties of the Chairman of the Board and Chief Executive Officer and so acting shall have all the powers of and be subject to all restrictions upon the Chairman of the Board and Chief Executive Officer. Any Vice President may also, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation; may sign and execute in the

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name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof than be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed; and shall perform such other duties as from time to time may be assigned to him by the Board or by the Chairman of the Board and Chief Executive Officer or the President.

5.11 Secretary. The Secretary, if present, shall act as secretary of all

meetings of the stockholders and of the Board, and shall keep the minutes thereof in the proper book or books to be provided for that purpose; he shall see that all notices required to be given by the Corporation are duly given and served; he may, with the Chairman of the Board and Chief Executive Officer, the President or a Vice President, sign certificates for shares of capital stock of the Corporation; he shall be custodian of the seal of the Corporation and may seal with the seal of the Corporation, or a facsimile thereof, all certificates for shares of capital stock, of the Corporation and all documents the execution of which on behalf of the Corporation under its corporate seal is authorized in accordance with the provisions of the By-laws; he shall have charge of the stock ledger and also of the other books, records and papers of the Corporation relating to its organization and management as a Corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or by the Chairman of the Board and Chief Executive Officer or by the President.

5.12 Treasurer. The Treasurer shall have charge and custody of, and be

responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with these By-laws; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined in accordance with any provisions of the By-laws, and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books to be kept by him or under his direction full and adequate amount of all moneys received or paid by him for the amount of the Corporation; have the right to require, from time to time reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the Chairman of the Board and Chief Executive Officer, the President or the Board, whenever the Chairman of the Board and Chief Executive Officer, the President or the Board, respectively, all require him so to do, an account of the financial condition of the Corporation and of all his transactions as Treasurer; exhibit at all reasonable times his books of account and other records to any of the directors upon application at the office of the Corporation where such books and records are kept; and in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board, the

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Chairman of the Board and Chief Executive Officer or by the President; and he may sign, with the Chairman of the Board and Chief Executive Officer, the President or a Vice President, certificates for shares of capital stock of the Corporation.

5.13 Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and

Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board, the Chairman of the Board and Chief Executive Officer, or the President. Assistant Secretaries and Assistant Treasurers may, with the Chairman of the Board and Chief Executive Officer, the President or a Vice President, sign certificates for shares of capital stock of the Corporation.

6.1 Execution of Contracts. The Board may authorize any officer, employee or

agent, in the name and on behalf of the Corporation, to enter into any contracts or execute and satisfy any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

6.2 Loans. The Chairman of the Board and Chief Executive Officer, the

President or any other officer, employee or agent authorized by the By-laws or by the Board may effect loans and advances at any time for the Corporation from any bank, trust company or other institutions or from any firm, corporation or individual and for such loan and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and when authorized so to do may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board may be general or confined to specific instances or otherwise limited.

6.3 Checks, Drafts, Etc. All checks, drafts and other orders for the payment

of money out of the funds of the Corporation and all notes or other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board.

6.4 Deposits. The funds of the Corporation not otherwise employed shall be

deposited from time to time to the order of the Corporation in such banks, trust companies or other depositories as the Board may select or as may be selected by an officer, employee or agent of the Corporation to whom such power may from time to time be delegated by the Board.

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ARTICLE 7

STOCKS AND DIVIDENDS

7.1 Certificates Representing Shares. The shares of capital stock of the

Corporation shall be represented by certificates in such form (consistent with the provisions of Section 158 of the General Corporation Law) as shall be approved by the Board. Such certificates shall be signed by the Chairman of the Board and Chief Executive Officer, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registrar other than the Corporation itself or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may, unless otherwise ordered by the Board, be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

7.2 Transfer of Shares. Transfers of shares of capital stock of the

Corporation shall be made only on the books of the Corporation by the holder thereof or by his duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary or a transfer agent of the Corporation, and on surrender of the certificate or certificates representing such shares of capital stock properly endorsed for transfer and upon payment of all necessary transfer taxes. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Canceled," with the date of cancellation, by the Secretary or an Assistant Secretary or the transfer agent of the Corporation. A person in whose name shares of capital stock shall stand on the books of the Corporation shall be deemed the owner thereof to receive dividends, to vote as such owner and for all other purposes as respects the Corporation. No transfer of shares of capital stock shall be valid as against the Corporation, its stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until such transfer shall have been entered on the books of the Corporation by an entry showing from and to whom transferred.

7.3 Transfer and Registry Agents. The Corporation may from time to time

maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.4 Lost, Destroyed, Stolen and Mutilated Certificates. The holder of any

shares of capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Corporation may issue a new certificate to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as, a condition to the issue of any such new certificate, require the owner of the lost,

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destroyed, stolen or mutilated certificate, or his legal representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Corporation and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sum and with such surety or sureties as the Board may direct, to indemnify the Corporation and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

7.5 Regulations. The Board may make such rules and regulations as it may deem

expedient, not inconsistent with the By-laws or with the Certificate of Incorporation, concerning the issue, transfer and registration of certificates representing shares of its capital stock.

7.6 Restriction on Transfer of Stock. A written restriction on the transfer or

registration of transfer of capital stock of the Corporation, if permitted by Section 202 of the General Corporation Law and noted conspicuously on the certificate representing such capital stock, may be enforced against the holder of the restricted capital stock or any successor or transferee of the holder including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificate representing such capital stock, a restriction, even though permitted by Section 202 of the General Corporation Law, shall be ineffective except against a person with actual knowledge of the restriction. A restriction on the transfer or registration of transfer of capital stock of the Corporation may be imposed either by the Certificate of Incorporation or by an agreement among any number of stockholders or among such stockholders and the Corporation. No restriction so imposed shall be binding with respect to capital stock issued prior to the adoption of the restriction unless the holders of such capital stock are parties to an agreement or voted in favor of the restriction.

7.7 Dividends, Surplus, Etc. Subject to the provisions of the Certificate of

Incorporation and of law, the Board:

7.7.1 May declare and pay dividends or make other distributions on the outstanding shares of capital stock in such amounts and at such time or times as, in its discretion, the condition of the affairs of the Corporation shall render advisable;

7.7.2 May use and apply, in its discretion, any of the surplus of the Corporation in purchasing or acquiring any shares of capital stock of the Corporation, or purchase warrants therefor, in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness;

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7.7.3 May set aside from time to time out of such surplus or net profits such sum or sums as, in its discretion, it may think proper, as a reserve fund to meet contingencies, or for equalizing dividends or for the purpose of maintaining or increasing the property or business of the Corporation, or for any purpose it may think conducive to the best interest of the Corporation.

ARTICLE 8

INDEMNIFICATION

8.1 Indemnification of Officers and Directors. The Corporation shall

indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by

the General Corporation Law, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled apart from the foregoing provisions. The foregoing provisions of this Section 8.1 shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while this Article 8 and the relevant provisions, of the General Corporation law and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing, with respect to any state of facts then or theretofore existing, or any action, suit or proceeding theretofore, or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.2 Indemnification of Other Persons. The Corporation may indemnify any person

who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was an employee or agent of the Corporation, or is or was, serving at the request of the Corporation, as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent and in the manner set forth in and permitted by the General Corporation Law, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which any such person may be entitled apart from the foregoing provisions.

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ARTICLE 9

BOOKS AND RECORDS

9.1 Books and Records. The Corporation shall keep correct and complete books

and records of account and shall keep minutes of the proceedings of the stockholders, the Board and any committee of the Board. The Corporation shall keep at the office designated in the Certificate of Incorporation or at the office of the transfer agent or registrar of the Corporation in Delaware, a record containing the names and addresses of all stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

9.2 Form of Records. Any records maintained by the Corporation in the regular

course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

9.3 Inspection of Books and Records. Except as otherwise provided by law, the

Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Corporation, or any of them, shall be open to the inspection of the stockholders.

ARTICLE 10

SEAL

The Board may adopt a corporate seal which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the word "Delaware".

ARTICLE 11

FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January and shall terminate on the 31st day of December in each year, or such other period as may be fixed by resolution of the Board.

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ARTICLE 12

VOTING OF SHARES HELD

Unless otherwise provided by resolution of the Board, the Chairman of the Board and Chief Executive Officer, or the President, or any Vice President, may, from time to time, appoint one or more attorneys or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose shares or securities may be held by the Corporation, at meetings of the holders of stock or other securities of such other corporation, or to consent, in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper in the premises; or the Chairman of the Board and Chief Executive Officer, or the President, or any Vice President may himself attend any meeting of the holders of the stock or other securities of any such other corporation and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such other corporation.

ARTICLE 13

BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

Pursuant to the provisions of Section 203 (a) (2) of the General Corporation Law, the Corporation, by action of the Board, expressly elects not to be governed by Section 203 of the General Corporation Law, dealing with business combinations with interested stockholders. Notwithstanding anything to the contrary in these By-laws, the provisions of this Article 13 may not be further amended by the Board, except as may be specifically authorized by the General Corporation Law.

ARTICLE 14

AMENDMENTS

The By-laws may be altered, amended, supplemented or repealed, or new By-laws may be adopted, by vote of the holders of the shares entitled to vote in the election of directors. The By-laws may be altered, amended, supplemented or repealed, or new By-laws may be adopted, by the Board, provided that the vote of a majority of the entire Board shall be required to change the number of

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authorized directors. Any By-laws adopted, altered, amended, or supplemented by the Board may be altered, amended, supplemented or repealed by the stockholders entitled to vote thereon.

ARTICLE 15

OFFICES

The Corporation may have an office or offices at such place or places, within or without the State of Delaware, as the Board of Directors may from time to time designate or the business of the Corporation require.

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1,000

9-MOS
DEC-31-1996
SEP-30-1996
306,900
37,805,300
14,873,600
294,300
269,100
0
3,110,200
1,030,100
66,774,700
0
4,057,500
117,800
0
0
8,259,100
66,774,700
1,730,100
15,305,400
742,600
11,560,700
1,557,500
0
240,300
1,946,900
639,700
1,136,100
0
0
0
1,136,100
9.75
0