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KORN/FERRY INTERNATIONAL

See here

Ronald H. Walker
Managing Vice President

M. Mc
any thoughts?

1825 K Street, N.W. · Suite 301
Washington, D.C. 20006

1/28/84

Mike -

Enclosed is the annual report on Whittaker - per our conversation.

Joe Alibrandi is in Washington at least once a month. You should expect a call in ~~the~~ near future.

Warm Regards,

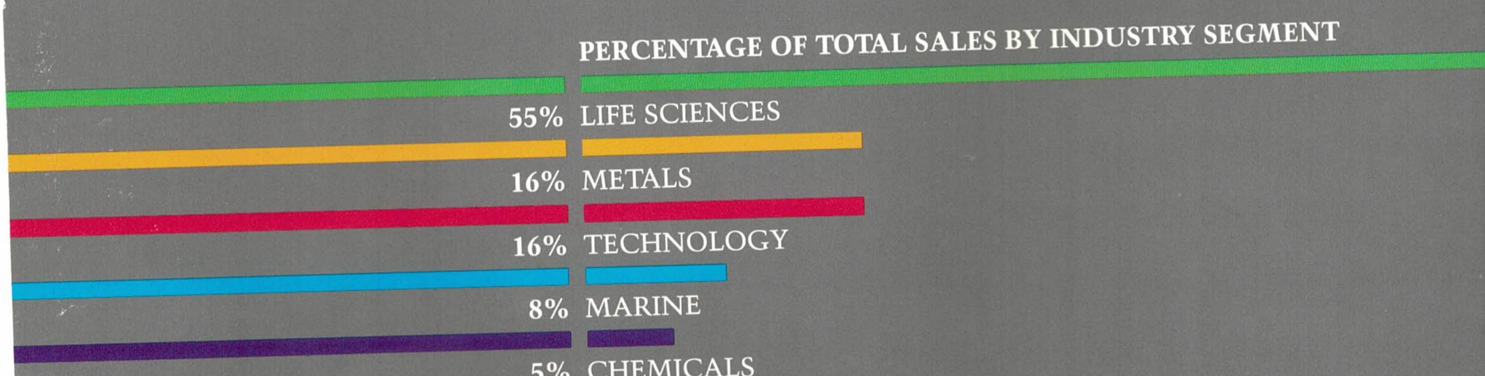
Ron

Mike
Good Company
Good Prospect
Impt info
clipped in
Notice of
Annual
meeting
including
Restricted
Stock

ANNUAL REPORT FOR 1982

Whittaker

Cover:
Whittaker staff nurse with pediatric patient at King Fahad Hospital in Jeddah, Saudi Arabia.



Whittaker

Whittaker Corporation • 10880 Wilshire Boulevard • Los Angeles • California 90024

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MARCH 26, 1982

The Annual Meeting of the Shareholders of Whittaker Corporation will be held in the Grand Ballroom of the Beverly Hilton Hotel, 9876 Wilshire Boulevard, Beverly Hills, California, on Friday, March 26, 1982, at 10:30 A.M., for the following purposes:

1) To elect directors to serve for the ensuing year;

2) To consider and act upon a proposal to ratify the appointment of Ernst & Whinney as the Company's independent auditor for the fiscal year ending October 31, 1982;

3) To consider and act upon a proposal to approve and ratify the action of the Board of Directors adopting the 1981 Incentive Stock Option Plan; and

4) To consider and act upon such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on January 26, 1982 as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, said meeting. The stock transfer books will not be closed.

All shareholders are cordially invited to attend the meeting in person. TO INSURE YOUR REPRESENTATION AT THE MEETING, PLEASE COMPLETE AND PROMPTLY MAIL YOUR PROXY IN THE RETURN ENVELOPE PROVIDED. This will not prevent you from voting in person, should you so desire, but will help to secure a quorum and will avoid added solicitation costs.

By Order of the Board of Directors

ALAN D. JACOBSON
Secretary

Los Angeles, California
February 8, 1982

Whittaker Corporation • 10880 Wilshire Boulevard • Los Angeles • California 90024

PROXY STATEMENT

Annual Meeting of Shareholders, March 26, 1982

SOLICITATION OF PROXIES

The accompanying proxy is solicited on behalf of the Board of Directors of Whittaker Corporation (the "Company") for use at the Annual Meeting of Shareholders to be held on March 26, 1982, and at any and all adjournments thereof. It is anticipated that such proxy, together with this Proxy Statement, will be first transmitted to the Company's shareholders on or about February 8, 1982. All shares represented by each properly executed unrevoked proxy received in time for the meeting will be voted. Any proxy given may be revoked at any time prior to its exercise by filing with the Secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date.

In addition to use of the mails, proxies may be solicited by regular employees of the Company, who will not receive any additional compensation for such solicitation, in person and by telephone and telegraph. The Company has also engaged T. Cariota & Co., Inc. of New York City to assist in the solicitation of proxies of brokers and financial institutions and their nominees. This firm will be paid a fee of $3,500 and will be reimbursed for expenses incurred in connection with such engagement. The cost of solicitation of proxies will be borne by the Company.

EQUITY SECURITIES AND PRINCIPAL HOLDERS THEREOF

Shareholders of record at the close of business on January 26, 1982 will be entitled to vote. The outstanding voting securities of the Company consist of (i) Common Stock and (ii) Preferred Stock of which two series are outstanding, $1.25 Cumulative Convertible Preferred Stock ("$1.25 Preferred Stock") and $5.00 Cumulative Convertible Preferred Stock ("$5.00 Preferred Stock"). Each share entitles the holder thereof to one vote, except with respect to the election of directors. In the election of directors, by reason of cumulative voting, each share entitles the holder to a number of votes equal to the number of directors to be elected, which is eleven, and such votes may all be cast for one nominee or may be distributed among two or more nominees, as determined by the holder.

As of January 26, 1982, there were outstanding 15,851,346 shares of Common Stock, 24,118 shares of $1.25 Preferred Stock and 123,206 shares of $5.00 Preferred Stock, net of shares in the Company's treasury. The Preferred Stock and Common Stock vote as a single class on all matters presented to the shareholders other than certain matters affecting the Preferred Stock. The Preferred Stock and Common Stock will vote as a single class on all matters to be presented at the Annual Meeting of Shareholders. As to these matters, the Preferred Stock represents approximately 1% of the shares entitled to vote.

To the best knowledge of the Company, no person owned beneficially as of January 26, 1982 more than five percent of the shares entitled to vote at the Annual Meeting of Shareholders, except as set forth in the following table.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership(1)	Percent of Class	Percent of All Shares Entitled to Vote
Common Stock	Olayan Investments Company Establishment(2) c/o Transporting and Trading Company P.O. Box 46, Kallithea 206 Syngrou Avenue Athens, Greece	899,500 shares	5.7%	5.6%

(1) The Company has no reason to believe that the beneficial owner does not have sole voting power and sole investment power.

(2) The Company has been advised that Mr. Suliman S. Olayan, a Saudi Arabian national, is the sole beneficial owner of, and has the same business address as, Olayan Investments Company Establishment.

As of January 26, 1982, seven individuals each beneficially owned in excess of five percent of the outstanding shares of the Company's Preferred Stock, with the largest such holding being 20,867 shares, which represents approximately 0.1% of the shares entitled to vote at the Annual Meeting of Shareholders.

As of January 26, 1982, all present officers and directors of the Company, as a group, owned beneficially: (1) 550,065 shares of Common Stock, including 12,240 shares issuable upon exercise of outstanding, presently exercisable stock options and conversion of outstanding convertible debentures (representing 3.5% of the Common Stock outstanding, based upon the number of shares which would have been outstanding had such options been exercised and such debentures been converted in full on January 26, 1982); and (ii) $162,000 principal amount of the Company's 4½% Convertible Subordinated Debentures Due 1988 (representing 3.4% of the class outstanding). The Company has no reason to believe that the officers and directors of the Company who own beneficially its outstanding equity securities do not have sole voting power and sole investment power with respect to such securities.

ELECTION OF DIRECTORS

Directors are elected at each annual meeting of shareholders and hold office until their respective successors are elected. The Articles of Incorporation and Bylaws of the Company provide that the number of directors of the Company shall be not less than nine nor more than twelve, with the exact number to be fixed by the Bylaws or an amendment thereof adopted by the shareholders or the Board of Directors. The Bylaws of the Company presently fix the exact number of directors at eleven, effective with the election of directors at the Annual Meeting of Shareholders. The nominees for whom votes will be cast pursuant to the proxies hereby solicited are set forth below. Should any nominee become unavailable to serve as a director, the proxies will be voted for such other person as shall be designated by the Board of Directors. To the best of the Company's knowledge, all nominees are and will be available to serve.

Nominees for Election as Directors

Name and Recent Business Experience	Age	Director Since	Common Stock Owned Beneficially on January 26, 1982(3)
Edmund F. Ackell. Since 1978, Dr. Ackell has been President of Virginia Commonwealth University. From 1974 to 1978, he was Vice President for Health Affairs at the University of Southern California.•*	56	1975	1,840
Joseph F. Alibrandi. For more than the past five years, Mr. Alibrandi has been the Company's President and Chief Executive Officer.	53	1970	88,850
J. Dewey Daane. For more than the past five years, Dr. Daane has been the Frank K. Houston Professor of Banking at Vanderbilt University.•	63	1974	1,000
Harry S. Derbyshire. Since 1971, Mr Derbyshire has been the Company's Chief Financial Officer. He has been an Executive Vice President since 1977 and prior thereto was a Senior Vice President.(1)	56	1971	41,875(4)
Walter B. Gerken. Mr. Gerken has been Chairman of the Board and Chief Executive Officer of Pacific Mutual Life Insurance Company since 1975.•†(2)	59	1974	1,000
Carl E. Hartnack. Mr. Hartnack is presently a consultant to Security Pacific Corporation and Chairman of its International Board. He was Chairman of the Board of Security Pacific Corporation and its subsidiary, Security Pacific National Bank, from 1978 through 1980. Prior to 1978, he was Vice Chairman of Security Pacific Corporation and President of Security Pacific National Bank. He served as a director of the Company from 1972 through March 1979.†	65	1981	—
Sanford Kaplan. Since his retirement in 1977 from Xerox Corporation which he then served as a director and consultant, Mr. Kaplan has been a management consultant to various public and private companies.•†	65	1971	10,000

Name and Recent Business Experience	Age	Director Since	Common Stock Owned Beneficially on January 26, 1982(3)
Joseph Kleiman. For more than the past five years, Mr. Kleiman has been a Senior Vice President of the Company with responsibility for corporate development and planning.	62	1958	101,281
Frank J. Rauscher, Jr. Dr. Rauscher has served as Senior Vice President for Research of the American Cancer Society since 1976.*	50	1977	103
Robert Reznick. For more than the past five years, Mr. Reznick has been President, Chairman of the Board and Chief Executive Officer of Craig-Hallum Corporation, a manufacturer and distributor of foodstuffs and the parent corporation of a securities brokerage firm.†*	62	1974	103,104
John C. West. Mr. West is a practicing attorney and a professor of Middle East Studies at the University of South Carolina. From 1977 to 1981 he served as the United States Ambassador to Saudi Arabia.	59	1981	200

• Member of the Audit Committee of the Board of Directors.

† Member of the Compensation and Stock Option Committee of the Board of Directors.

* Member of the Nominating Committee of the Board of Directors.

(1) Mr. Derbyshire also owns beneficially $160,000 principal amount of the Company's 4½% Convertible Subordinated Debentures Due 1988, representing approximately 3.4% of the outstanding debentures of the class.

(2) As of January 26, 1982, Pacific Mutual Life Insurance Company held $3,510,000 of the $17,550,000 aggregate principal amount of the 10% Senior Notes Due 1990 issued by Whittaker General Medical Corporation, a wholly-owned subsidiary of the Company.

(3) The number of shares of Common Stock shown as beneficially owned by each nominee represents less than 1% of the outstanding shares.

(4) Includes 3,375 shares issuable to Mr. Derbyshire upon conversion of convertible debentures.

The nominees serve on the boards of directors of other publicly held companies as follows: Mr. Alibrandi—Security Pacific Corporation; Mr. Daane—Tennessee Valley Bancorp., Inc.; Mr. Derbyshire—Electronic Memories & Magnetics Corp.; Mr. Gerken—Carter Hawley Hale Stores, Inc., Southern California Edison Company and Times Mirror Company; Mr. Hartnack—Security Pacific Corporation; Mr. Kaplan—Cordura Corp., Intel Corp., Standun, Inc., Wells Benrus Corp. and Yardney Electric Corporation; Mr. Kleiman—Yardney Electric Corporation; Mr. Reznick—Craig-Hallum Corporation; and Mr. West—Donaldson, Lufkin & Jenrette, Inc. Security Pacific Corporation's wholly-owned subsidiary, Security Pacific National Bank, with which the Company maintains a banking relationship, provides credit facilities to the Company that totaled approximately $50,000,000 as of January 26, 1982. Donaldson, Lufkin & Jenrette, Inc.'s wholly-owned investment banking subsidiary was the managing underwriter of a September 1980 public offering of the Company's Common Stock.

The Board of Directors held twelve meetings during fiscal 1981. Attendance of the Company's directors at all Board and committee meetings during the year averaged 90%. Each director, other than Mr. West, attended more than 75% of the meetings of the Board and committees on which he served. Mr. West, who joined the Board in June 1981, attended three of the five remaining meetings of the Board of Directors during fiscal 1981, all of which had been scheduled prior to his election as a director. Directors are reimbursed for travel and other expenses related to attendance at Board and committee meetings.

During fiscal 1981, directors other than Dr. Ackell, Eaton W. Ballard, Mr. West and those directors who are also executive officers of the Company, received fees of $15,000 for serving on the Board and fees for serving on various committees ranging from $1,000 to $5,000 depending on the committee and position held. When a committee meeting was held on a day on which there was no Board meeting, an additional fee of $750 was paid to those in attendance. Dr. Ackell's compensation during fiscal 1981 was $4,999. Virginia Commonwealth University, of which he is President, purchases hospital supplies from a subsidiary of the Company. As a result, Dr. Ackell's annual compensation from the Company may not, under applicable Virginia law, exceed $5,000. Mr. Ballard, who has served as a director of the Company since 1974 and as Chairman of its Board of Directors since 1977, received $49,000 during fiscal 1981, which covered service on the Board and its committees. In accordance with the Company's Bylaws which preclude the election as a director of an individual who has attained the age of 70, Mr. Ballard is not standing for re-election as a director. Mr. West received $17,500 during fiscal 1981 for service on the Board and its committees, including $6,250 paid as a quarterly fee for service as Chairman of the Committee on International Business Affairs, which was established in October 1981. Executive officers who are directors received no additional compensation for Board and committee services.

The Audit Committee, which met five times during fiscal 1981, reviews and acts or reports to the Board with respect to various auditing and accounting matters, including the selection of the Company's independent auditor, the scope of audit procedures, the nature of services to be performed for the Company by and the fees to be paid to the independent auditor, the performance of the Company's independent and internal auditors, and the accounting practices of the Company.

The Compensation and Stock Option Committee, which met eleven times during fiscal 1981, has been delegated the functions of the Board with respect to the compensation of executive officers and the administration of the Company's stock option and restricted stock plans, including the granting of options and restricted stock.

The Nominating Committee, which met three times during fiscal 1981, recommends nominees for election as directors at Annual Meetings of Shareholders and to fill vacancies which may occur between annual meetings. The Committee will consider as potential nominees persons recommended by shareholders. Recommendations should be submitted to the Nominating Committee in care of the Secretary of the Company.

Remuneration of Officers and Directors

Remuneration for services in all capacities for the fiscal year ended October 31, 1981 which the Company and its subsidiaries paid to or accrued for each of the five most highly compensated officers and directors of the Company and to all officers and directors (including those named) as a group, while serving as officers or directors, is set forth in the following table.

		Cash and Cash-Equivalent Forms of Remuneration		
Name of Individual or Number of Persons in Group	Capacity in Which Served	Salaries, Fees, Directors' Fees, Commissions and Bonuses(1)	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(2)	Aggregate of Contingent Forms of Remuneration(3)
Joseph F. Alibrandi	President	$ 636,539	$ 14,103	$ 18,451
Harry S. Derbyshire	Executive Vice President	414,904	63,626	11,984
Paul B. Dinkel	Senior Vice President	220,289	20,228	4,918
Alan D. Jacobson	Senior Vice President	212,308	88,379	6,525
Philip C. Heeter	Vice President	151,058	101,627	—
All officers and directors as a group (38 persons)	—	4,058,590	368,817	101,555

(1) Includes bonuses awarded by the Compensation and Stock Option Committee of the Board of Directors under the Management Incentive Compensation Plan which were accrued during fiscal 1981 but are paid during fiscal 1982. Bonuses paid during fiscal 1981 with respect to fiscal 1980 are not included. Aggregate bonuses awarded under the Company's various management incentive compensation plans with respect to the five fiscal years ended October 31, 1981, to Messrs. Alibrandi, Derbyshire, Dinkel, Jacobson and Heeter, all present officers (including those named) as a group and all employees (including present officers) were $935,000, $565,000, $350,000, $305,000, $40,000, $4,107,375 and $15,677,416, respectively. Directors of the Company who are not also executive officers or employees do not participate in any Company incentive compensation plan.

(2) Includes (i) the excess of the fair market value on the date of release over the acquisition price of restricted stock released during fiscal 1981 and cash dividends paid on restricted stock prior to release; (ii) that portion of the expense of providing automobiles to officers which is attributed by the Company to the personal use of such automobiles; (iii) tax and financial counseling services; (iv) calendar year premiums on life insurance policies providing coverage in excess of the coverage provided generally to the Company's employees; and (v) dues for membership of certain officers in clubs which may be utilized for personal, as well as business, purposes. Of the amounts reported with respect to Messrs. Derbyshire, Dinkel, Jacobson and Heeter, and all present officers (including those named) as a group, $58,825, $16,806, $81,931, $100,350, and $295,719, respectively, related to restricted stock.

(3) Includes amounts contributed by the Company under its Savings and Stock Investment Plan and the contribution made by a foreign subsidiary to its retirement plan for the benefit of an officer of the Company who is also an officer of the subsidiary. The Savings and Stock Investment Plan is a voluntary, contributory plan pursuant to which participating employees contribute to a trust a portion of their cash compensation ranging between 2% and 12%. The Company makes matching contributions on the basis of three-quarters of the first 2% of cash compensation contributed by the employee, one-half of the second 2% contributed by the employee, one-quarter of the third 2% contributed by the employee, but nothing with respect to that portion of employee contributions in excess of 6% of cash compensation. Aggregate contributions by the Company under the Savings and Stock Investment Plan with respect to the five fiscal years ended October 31, 1981, for the benefit of Messrs. Alibrandi, Derbyshire, Dinkel and Jacobson, all present officers (including those named) as a group and all employees (including present officers) were $62,868, $42,635, $23,695, $28,259, $376,598 and $5,107,773, respectively. Directors of the Company who are not also executive officers or employees do not participate in the Savings and Stock Investment Plan.

The Employees' Pension Plan was the only Company pension plan in which officers participated during fiscal 1981, except for the participation of one officer in the plan of the foreign subsidiary referred to above. Directors of the Company who are not also executive officers or employees do not participate in any Company pension plan. The Employees' Pension Plan is a Company-funded plan. Company contributions to the Employees' Pension Plan, which are actuarially determined, cannot be separately calculated for each participant, and thus no amount is included in the table above with respect thereto. Benefits under the Employees' Pension Plan are based upon years of service and remuneration. The remuneration upon which annual benefits are based is the highest average cash compensation (including cash bonus) paid during five consecutive years within the last ten years of employment. Messrs. Alibrandi, Derbyshire, Dinkel and Jacobson have approximately 12, 14, 9 and 13 credited years of service under the Employees' Pension Plan, respectively, and their current base salaries (not including bonuses) are $350,000, $250,000, $165,000 and $155,000, respectively. Mr. Heeter, who does not yet have any credited years of service, has a base salary of $175,000.

The following table shows the estimated annual benefits payable upon retirement at age 65 to participants in the Employees' Pension Plan.

Remuneration	Years of Service 10	15	20	25	30
$100,000	$ 18,781	$ 28,172	$ 37,563	$ 46,954	$ 56,344
200,000	38,781	58,172	77,563	96,954	116,344
300,000	58,781	88,172	117,563	146,954	176,344
400,000	78,781	118,172	157,563	196,954	236,344
500,000	98,781	148,172	197,563	246,954	296,344
600,000	118,781	178,172	237,563	296,954	356,344
700,000	138,781	208,172	277,563	346,954	416,344

The estimated annual benefits shown in the table above will be reduced by a percentage of the recipient's Social Security benefit.

The Company has an employment agreement with one of its Vice Presidents which provides for minimum annual remuneration of approximately $100,000 and terminates December 31, 1983.

Restricted Stock

The Company has issued shares of its Common Stock, generally without payment of monetary consideration by the recipient, to key employees including officers under the 1969 Restricted Stock Plan and the 1981 Restricted Stock Plan (collectively the "Stock Plans" and individually the "1969 Stock Plan" and the "1981 Stock Plan"). Shares issued under the Stock Plans are subject to restrictions, released in annual installments, which prevent transfer and hypothecation for specified periods of time. The Company typically has the conditional right to reacquire shares subject to restriction should the holder terminate employment with the Company or its subsidiaries for reasons other than death or disability.

The aggregate number of shares released under the Stock Plans during the period beginning November 1, 1976 and ending January 26, 1982, to Messrs. Alibrandi, Derbyshire, Dinkel, Jacobson and Heeter, all present officers (including those named) as a group and all employees (including present officers) was 30,000 16,850, 4,500, 14,500, 4,000, 90,325 and 124,085, respectively. The aggregate market value of such shares as of the dates of release was $548,430, $302,962, $100,375, $253,867, $156,760, $2,314,296 and $2,677,814, respectively.

As of January 26, 1982, Messrs. Alibrandi, Derbyshire, Dinkel, Jacobson and Heeter, and all officers (including those named) as a group held, respectively, 40,000, 27,000, 14,500, 4,000, 6,000 and 118,500 shares of Common Stock issued under the Stock Plans which remain subject to restrictions. All of such shares were issued without payment of monetary consideration by the recipient. Directors of the Company who are not also executive officers or employees do not participate in the Stock Plans.

As of January 26, 1982, 6,000 shares of Common Stock previously issued under the 1969 Stock Plan remained subject to restrictions, and no additional shares were available for issuance under the 1969 Stock Plan.

The 1981 Stock Plan was adopted by the Board of Directors in December 1980, and was approved and ratified by the Company's shareholders in March 1981. As of January 26, 1982, 114,000 shares of Common Stock previously issued under the 1981 Stock Plan remained subject to restrictions, and an additional 162,000 shares were available for issuance.

The Stock Plans are administered by the Compensation and Stock Option Committee of the Company's Board of Directors, which is composed of directors who are not executive officers or employees of the Company and who are not eligible to receive shares under the Stock Plans.

Stock Options

The following table shows, for the period beginning November 1, 1976 and ending January 26, 1982, as to each person named and all present officers (including those named) as a group: (i) the aggregate number of shares of Common Stock subject to options granted during the period; (ii) the average per share exercise price thereof; (iii) the net value (market value on date of exercise less exercise price) realized during the period through the exercise of such options; (iv) the number of shares of Common Stock however acquired which were sold during the period by officers who exercised options during the period; (v) the aggregate number of shares of Common Stock subject to all options outstanding as of the end of the period; and (vi) the potential (unrealized) value of such outstanding options (market value less exercise price).

	Mr. Alibrandi	Mr. Derbyshire	Mr. Dinkel	Mr. Jacobson	Mr. Heeter	All Present Officers as a Group(2)
Granted:						
Number of shares covered by options	102,900	72,900	27,900	22,900	37,900	418,075
Average per share exercise price	$38.57	$38.52	$42.06	$41.86	$38.93	$36.83
Exercised:						
Net value realized through exercise (market value on date of exercise less exercise price)	$850,650	$600,000	$ 135,030	$386,775	—	$3,404,853
Sales:						
Number of shares	43,750	35,450	10,000	8,800	—	131,196
Outstanding at January 26, 1982:						
Number of shares covered by options	102,900	72,900	27,900	22,900	37,900	405,300
Potential (unrealized) value (market value at January 26, 1982, less exercise price)(1)	—	—	—	—	—	$ 291,439

During the period, all employees (including present officers) were granted options covering a total of 1,495,407 shares of Common Stock at an average per share exercise price of $28.67.

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(1) Based upon the mean price of the Company's Common Stock on the New York Stock Exchange on January 26, 1982, which was $30.75. Of the potential (unrealized) value of the options held by all present officers (including those named) as a group, 26% related to options which were exercisable as of January 26, 1982.

(2) Directors who are not also executive officers or employees are not eligible to receive stock options.

(3) See "1981 Incentive Stock Option Plan" for more detailed information regarding options granted under the 1981 Option Plan.

The options referred to in the table above are qualified stock options issued under the Company's 1967 Stock Option Plan ("1967 Option Plan"), nonqualified stock options issued under the Company's 1977 Nonqualified Stock Option Plan ("1977 Option Plan") and 1980 Nonqualified Stock Option Plan ("1980 Option Plan") and incentive stock options issued under the Company's 1981 Incentive Stock Option Plan ("1981 Option Plan") (collectively the "Option Plans"). Options issued under the 1967

Option Plan which were exercised in calendar 1981 are being treated, pursuant to an election by the Company, as incentive stock options. Certain aspects of Federal income tax law encourage the sale of stock acquired through the exercise of stock options other than incentive stock options (which were created by the Economic Recovery Tax Act of 1981) in the year of exercise. With respect to qualified stock options, the aggregate tax liability resulting from the sale of the stock in a year subsequent to the year of exercise may be significantly higher than the tax liability resulting from a sale in the year of exercise. The exercise of a nonqualified option is itself a taxable event giving rise immediately to cash obligations for "withholding" taxes.

The option price of each option granted under the Option Plans is not less than 100% of the market value of the Common Stock on the date of grant. The term of each option issued under the 1967 Option Plan is not greater than five years, and the term of each option issued under the other Option Plans is not greater than ten years. The Option Plans are administered by the Compensation and Stock Option Committee of the Company's Board of Directors, which is composed of directors who are not executive officers or employees of the Company and who are not eligible to receive options under the Option Plans.

The 1967 Option Plan expired in November 1977, and no options granted thereunder remain outstanding.

The 1977 Option Plan was adopted by the Board of Directors in December 1977, and was approved and ratified by the Company's shareholders in March 1978. As of January 26, 1982, options granted under the 1977 Option Plan covering 372,215 shares of Common Stock were outstanding, and options covering an additional 70,710 shares were available for granting.

The 1980 Option Plan was adopted by the Board of Directors in October 1980, and was approved and ratified by the Company's shareholders in March 1981. As of January 26, 1982, options granted under the 1980 Option Plan covering 484,265 shares of Common Stock were outstanding, and options covering an additional 15,735 shares were available for granting.

The 1981 Option Plan was adopted by the Board of Directors in October 1981, subject to approval and ratification by the Company's shareholders at the 1982 Annual Meeting of Shareholders. As of January 26, 1982, options granted under the 1981 Option Plan covering 192,225 shares of Common Stock were outstanding, and options covering an additional 307,775 shares were available for granting. See "1981 Incentive Stock Option Plan".

In addition to the options outstanding under the Option Plans, as of January 26, 1982 there were outstanding options covering 14,035 shares of Common Stock assumed by the Company in connection with certain acquisitions, none of which were held by officers or directors of the Company.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

In recognition of the important role of the independent auditor, the Board of Directors has determined that its selection of the independent auditor for the Company should be submitted to the Company's shareholders for ratification on an annual basis. The Board of Directors, upon the recommendation of its Audit Committee, has appointed Ernst & Whinney to serve as the Company's independent auditor for the fiscal year ending October 31, 1982, subject to ratification by the holders of a majority of the shares represented at the Annual Meeting of Shareholders. Ernst & Whinney conducted the audit of the Company's financial statements for the fiscal year ended October 31, 1981. If the appointment is not ratified, the Board of Directors will appoint another firm as the Company's independent auditor for the fiscal year ending October 31, 1982. The Board of Directors also retains the power to appoint another independent auditor for the Company to replace an auditor ratified by the shareholders in the event the Board of Directors determines that the interests of the Company require such a change.

With respect to fiscal 1981, Ernst & Whinney, in addition to auditing and reporting on the Company's consolidated financial statements, reviewed the Company's filings with the Securities and Exchange Commission, conducted timely reviews of quarterly reports to shareholders, and provided other professional services to the Company in the form of assistance in the preparation of tax returns for expatriate employees. All professional services rendered by Ernst & Whinney during fiscal 1981 were furnished at customary rates and terms. Fees for all non-audit services with respect to fiscal 1981 represented approximately six percent of the aggregate fees for audit services.

The Audit Committee of the Company's Board of Directors has approved each professional service provided by Ernst & Whinney during fiscal 1981. The Audit Committee has adopted a policy of either giving its specific prior approval to the rendition of non-audit services by the Company's independent auditor or granting approvals for categories or amounts of non-audit services which may be performed by the Company's independent auditor and then reviewing the services actually performed to confirm that the services were within the scope of its prior approval. As part of the approval process, the Committee considers whether the performance of the professional services may impair the independence of the Company's independent auditor with respect to the Company.

Representatives of Ernst & Whinney are expected to be present at the Annual Meeting of Shareholders. Such representatives will have the opportunity to make statements if they so desire and will be available to respond to appropriate questions.

The Board of Directors recommends that shareholders vote FOR the ratification of the appointment of Ernst & Whinney as independent auditor of the Company for the fiscal year ending October 31, 1982.

1981 INCENTIVE STOCK OPTION PLAN

The Board of Directors has adopted the 1981 Incentive Stock Option Plan (the "1981 Option Plan"), subject to approval and ratification at the Annual Meeting of Shareholders by the holders of a majority of the outstanding shares of the voting stock of the Company. The text of the 1981 Option Plan is annexed to this Proxy Statement as Exhibit A and should be carefully reviewed in connection with consideration of the approval and ratification of the action of the Board of Directors adopting the 1981 Option Plan. The summary of the 1981 Option Plan provisions that follows is not intended to be complete, and reference should be made to Exhibit A for a complete statement of the terms and provisions of the 1981 Option Plan.

The 1981 Option Plan was adopted by the Company's Board of Directors in response to the enactment of the Economic Recovery Tax Act of 1981 which created a new class of stock options (denominated "incentive stock options") having tax consequences for the option holder more favorable than those that obtain with respect to other available forms of stock options. The purpose of the 1981 Option Plan is to enhance the Company's ability to attract, retain and motivate skilled management and other key personnel. The 1981 Option Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974.

The Company's Board of Directors or its shareholders may amend, suspend or terminate the 1981 Option Plan at any time, but the Board of Directors may not increase the number of shares covered by the 1981 Option Plan, permit options to be granted at less than fair market value on the date of grant, or change the provisions regarding eligibility of participants. No amendment, suspension or termination of the 1981 Option Plan shall, without the consent of the holder, alter or impair any rights or obligations under any option then outstanding under the 1981 Option Plan.

An aggregate of 500,000 shares of the Company's Common Stock may be issued upon exercise of options granted under the 1981 Option Plan, subject to adjustment for stock dividends, stock splits, reverse stock splits and other like changes in the Company's capitalization. The 1981 Option Plan provides that the aggregate fair market value (valued at the time of grant) of the stock for which any employee may be granted options in any calendar year under the 1981 Option Plan and all other incentive stock option plans maintained by the Company and its subsidiaries shall not exceed the sum of $100,000 and such additional amounts, if any, as may be carried over to such calendar year as unused limits under Section 422A(c)(4) of the Internal Revenue Code of 1954, as amended (the "Internal Revenue Code"), and any successor provisions.

Key employees (including officers) of the Company and its subsidiaries, other than any employees who own stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries, are eligible to participate in the 1981 Option Plan. As of January 26, 1981, approximately 500 employees were eligible to participate in the 1981 Option Plan. Members of the committee of the Company's Board of Directors (presently the Compensation and Stock Option Committee) appointed to adminster the 1981 Option Plan are also ineligible to receive options under the Plan.

Options granted under the 1981 Option Plan generally become exercisable in up to five cumulative annual installments commencing at least one year after the date of grant and expire no more than ten years after the date of grant. No option granted under the 1981 Option Plan is exercisable while there remains outstanding (within the meaning of Section 422A(c)(7) of the Internal Revenue Code) any incentive stock options previously granted to the same participant to purchase the stock of the Company or its subsidiaries. The exercise price, which may not be less than fair market value of the optioned stock on the date of grant, may be paid in cash and by surrender of shares of Common Stock, valued for that purpose at market price.

Options granted under the 1981 Option Plan are not assignable or transferable, except by will or the laws of descent and distribution. Options may not be pledged or hypothecated in any way and are exercisable during a participant's lifetime only by such participant.

Through January 26, 1982, options have been granted under the 1981 Option Plan to Messrs. Alibrandi, Derbyshire, Dinkel, Jacobson, Heeter, Kleiman, all officers (including those named) as a group, and all employees (including officers) as a group, covering 2,900, 2,900, 2,900, 2,900, 2,900, 2,900, 38,525 and 194,475 shares of Common Stock, respectively. The exercise prices of the options range from $34.44 to $36.13 per share, and the expiration dates range from October 2, 1991 to December 13, 1991. Based upon the mean price of the Company's Common Stock on the New York Stock Exchange on January 26, 1982, which was $30.75, the aggregate market value of the shares covered by such options was $5,980,106. If the action of the Board of Directors adopting the 1981 Option Plan is not approved and ratified by the Company's shareholders at the Annual Meeting of Shareholders, the 1981 Option Plan and all options theretofore granted under the 1981 Option Plan shall terminate.

Federal Income Tax Consequences

A 1981 Option Plan participant will not recognize income as a result of the grant or exercise of an incentive stock option. Any gain or loss realized as a result of the sale or other disposition of shares issued upon exercise of an incentive stock option will be long-term capital gain or loss if the disposition occurs more than one year following exercise and two years following grant of the option. If the disposition occurs before the one and two year periods have elapsed (a "disqualifying disposition"), the participant will recognize ordinary income to the extent the fair market value of the shares on date of exercise exceeds the option price thereof (but normally not in excess of the gain on disposition), and the balance, if any, will be a short-term or long-term capital gain, depending on how long the shares have been held following exercise. Any loss sustained on the disposition of shares issued upon exercise of the option will be a capital loss. Participants who surrender Common Stock in payment of all or part of the option price should not recognize income upon such surrender.

A participant's tax basis in shares issued upon exercise of an incentive stock option for which the option price is paid solely in cash will be equal to the cash paid. As to shares issued upon exercise of an incentive stock option for which a participant surrenders shares of Common Stock in payment of all or part of the aggregate option price, the participant's tax basis in the surrendered shares will be carried over to the shares received upon exercise of the option, increased by the amount of cash, if any, paid upon exercise of the option.

The Economic Recovery Tax Act of 1981 reduced the maximum marginal Federal income tax rate to 50% (from 70%) for taxable years after 1981. As a result, long-term capital gains realized upon sale of the shares will be subject to a maximum Federal tax rate of 20%, after taking into account the capital gains deduction of 60%. The maximum marginal Federal rate of 50% will apply to ordinary income realized as a result of a disqualifying disposition.

Neither the amount by which the fair market value on the date of exercise of shares acquired through the exercise of an incentive stock option exceeds the option price therefor nor the 60% capital gains deduction is an item of tax preference for purposes of the 15% add-on minimum tax. However the 60% capital gains deduction may in some cases be subject to an alternative minimum tax with graduated rates ranging up to 20%.

The Company is only entitled to a deduction with respect to an incentive stock option if there is a disqualifying disposition of shares issued upon exercise of the option, and the amount of the deduction will be equal to the amount which the participant recognizes as ordinary income as a result of the disqualifying disposition.

The Company is not required to withhold Federal income tax on the exercise of incentive stock options or disqualifying disposition of shares so acquired.

The 1981 Option Plan is not qualified under Section 401(a) of the Internal Revenue Code.

Approval and ratification of the 1981 Incentive Stock Option Plan requires a favorable vote by the holders of a majority of the outstanding shares of the voting stock of the Company. The Board of Directors recommends that shareholders vote FOR the approval and ratification of the action of the Board of Directors adopting the 1981 Incentive Stock Option Plan.

SHAREHOLDER PROPOSALS FOR THE 1983 ANNUAL MEETING OF SHAREHOLDERS

Shareholder proposals to be presented at the 1983 Annual Meeting of Shareholders must be received at the Company's executive offices at 10880 Wilshire Boulevard, Los Angeles, California 90024 by November 10, 1982 in order to be included in the Company's proxy statement and form of proxy relating to that meeting.

OTHER MATTERS THAT MAY COME BEFORE THE MEETING

As of the date of this Proxy Statement, the Company knows of no business other than that described herein that will be presented for consideration at the meeting. If, however, any other business shall properly come before the meeting, the proxy holders intend to vote the proxies in accordance with their best judgment.

By Order of the Board of Directors

ALAN D. JACOBSON
Secretary

February 8, 1982

WHITTAKER CORPORATION
1981 INCENTIVE STOCK OPTION PLAN (AS AMENDED)

1. ESTABLISHMENT. Whittaker Corporation (the "Company") hereby establishes the Whittaker Corporation 1981 Incentive Stock Option Plan (the "Plan"), under which options may be granted to purchase shares of the Company's Common Stock ("Company Common Stock").

2. AMOUNT OF STOCK. An aggregate of Five Hundred Thousand (500,000) shares of Company Common Stock may be issued upon exercise of options granted under the Plan. Such shares may be either authorized but unissued shares or shares held in the Company's treasury. If the outstanding shares of Company Common Stock are increased, decreased, changed into or exchanged for a different number or kind of shares of the Company through reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made in the number or kind of shares with respect to which options may be granted under the Plan and which may be issued upon exercise of options granted under the Plan. If any option granted under the Plan shall terminate for any reason (including cancellation with the consent of the holder thereof) or expire before such option is exercised in full, the shares which might otherwise have been issued upon exercise of such option shall again become available for the purposes of the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by a committee (the "Committee") appointed from time to time by the Board of Directors of the Company. No member of the Committee shall be eligible to receive options while serving on the Committee, and no person shall serve on the Committee who was eligible to receive options at any time during the immediately preceding twelve months.

(b) The Committee shall have full power to construe the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations with respect to its administration.

(c) Subject to the express terms and conditions of the Plan, the Committee shall determine which persons eligible for selection as participants in the Plan shall be granted options under the Plan and the terms and conditions of all such options granted, including the number of shares of Company Common Stock which may be issued upon exercise of each such option, provided that the aggregate fair market value of the stock for which any employee may be granted options in any calendar year under the Plan and all other incentive stock option plans maintained by the Company and its parent and subsidiary corporations shall not exceed the sum of One Hundred Thousand Dollars ($100,000) and such additional amounts, if any, as may be carried over to such calendar year as unused limits under Section 422A(c)(4) of the Internal Revenue Code of 1954, as amended, and any successor provisions.

(d) The Committee shall report to the Secretary of the Company the names of the persons selected as participants in the Plan and the terms and conditions of the options granted to each of them, respectively. Such report may be in the form of minutes of the meeting of the Committee in which the action was taken.

EXHIBIT A

4. ELIGIBILITY FOR PARTICIPATION. Key employees (who also may be Directors) of the Company and its subsidiaries may be eligible for selection as participants in the Plan, provided no employee who owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations and no member of the Committee shall be eligible to receive an option under the Plan.

5. TERMS AND CONDITIONS OF OPTIONS. The terms and conditions of each option granted under the Plan shall be evidenced by an agreement executed by the Company and the participant which shall contain the following provisions:

(a) The number of shares of Company Common Stock issuable upon exercise of the option.

(b) The purchase price or prices per share, which in no event shall be less than fair market value thereof at the time the option is granted (but may be less than the purchase price or prices of previously granted options, whether in effect, cancelled, or expired).

(c) The means of payment for the shares purchased upon exercise, which may include delivering to the Company shares of Company Common Stock.

(d) Such terms and conditions of exercise as may be determined by the Committee, provided that no option shall be exercisable more than ten (10) years from the date of grant and provided further that no option granted under the Plan shall be exercisable while there remains outstanding (within the meaning of Section 422A(c)(7) of the Internal Revenue Code of 1954, as amended, and any successor provisions) any incentive stock option to purchase stock in the Company, any of its parent or subsidiary corporations or any predecessor corporations thereof, which was granted to the same participant prior to the grant of such Plan option.

(e) Such restrictions on transfer of the option, and such restrictions on transfer of the shares purchased by exercise of the option, as may be determined by the Committee; provided, however, that no option shall be transferable other than by will or the laws of descent and distribution, and options shall be exercisable during a participant's lifetime only by such participant.

(f) Such other terms and conditions not inconsistent with the Plan as may be determined by the Committee.

6. PROCEEDS FROM SALE OF SHARES. The cash proceeds from the sale of shares under the Plan shall be added to the general funds of the Company. Any shares of Company Common Stock received by the Company as consideration for the sale of shares upon exercise of options granted under the Plan shall be cancelled and returned to the status of authorized but unissued shares.

7. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN. The Board of Directors or the shareholders of the Company may, at any time, amend, suspend, or terminate the Plan, but no such action by the Board of Directors may increase the aggregate number of shares of Company Common Stock which may be issued upon exercise of options granted under the Plan (other than pursuant to Section 2 hereof), permit any options to be granted at an exercise price less than the fair market value of the shares issuable upon the exercise thereof at the time of grant, or change the provisions regarding eligibility for

participating in the Plan. No amendment, suspension or termination of the Plan shall, without the consent of the participant, alter or impair any rights or obligations under any outstanding agreement relating to an option issued under the Plan.

8. EXERCISE OF OPTIONS. Options may only be exercised with respect to whole shares, within the time permitted for the exercise thereof, and by written notice of exercise to the Company accompanied by full payment of the option price. In addition to the option price, the participant shall in connection with the exercise of an option pay to the Company in cash the full amount of all Federal, state and other withholding taxes, if any, applicable to the taxable income of the participant resulting from such exercise that the Company or one of its subsidiaries is required to collect and remit. Following exercise of an option, the Company shall promptly deliver to the participant a stock certificate, dated the date of exercise, for the purchased shares. Unless and until the Company has complied with all applicable laws, regulations and rules of all bodies having jurisdiction with respect to the issuance and sale of shares of Company Common Stock pursuant to the Plan, no options granted under the Plan may be exercised, and no shares shall be issued and delivered to participants upon purported exercise of options.

9. EFFECTIVE DATE AND TERMINATION OF PLAN.

(a) The Plan has been adopted by the Board of Directors of the Company and has become effective on October 2, 1981. The Plan shall be submitted to the shareholders of the Company for their approval or disapproval at the next annual meeting of shareholders. Prior to such annual meeting, options may be granted under the Plan, but any option so granted by its terms shall not be exercisable prior to such meeting. If the Plan is not approved at such annual meeting by vote of the holders of a majority of the outstanding shares of the voting stock of the Company, the Plan shall terminate, and all options theretofore granted under the Plan shall terminate and become null and void.

(b) Unless sooner terminated by the Company's shareholders or Board of Directors, the Plan shall terminate on October 1, 1991, and no options shall be granted after said date. Such termination shall not, however, affect any options granted hereunder prior to the date of such termination.

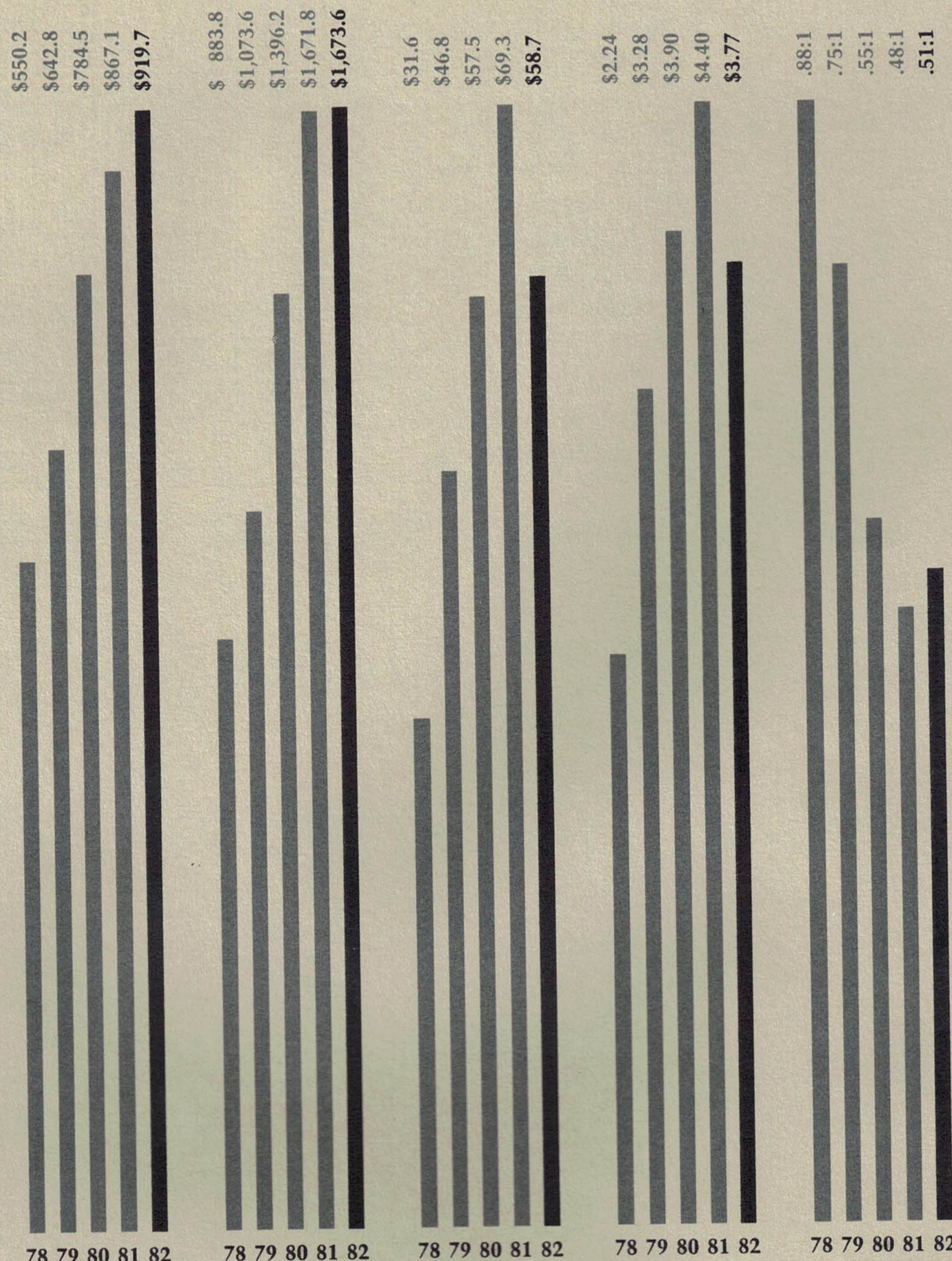
FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per share amounts)	1982	1981*	1980
Sales	$1,673,604	$1,671,837	$1,396,225
Net Income	$ 58,688	$ 69,328	$ 57,504
Primary Earnings per Share	$ 3.77	$ 4.40	$ 3.90
Dividends per Share	$ 1.60	$ 1.40	$ 1.00
Book Value per Share	$23.28	$22.23	$19.53
Return on Beginning Equity	17%	24%	25%
Working Capital	$ 190,392	$ 238,672	$ 197,546
Long-term Debt	$ 154,645	$ 134,032	$ 132,420
Shareholders' Equity	$ 335,120	$ 345,459	$ 289,912
Number of Employees	17,300	17,000	16,600
Shareholders of Record	18,000	18,000	20,000

See Note 5 of Notes to Consolidated Financial Statements regarding the effect of the change in accounting method for foreign currency translation.

CONTENTS

FIVE YEAR SUMMARY OF FINANCIAL DATA



Total Assets in Millions of Dollars

Sales in Millions of Dollars

Net Income in Millions of Dollars

Primary Earnings per Share

Debt: Equity Ratio

Shareholders' Equity in Millions of Dollars	
78	$193.1
79	$234.6
80	$289.9
81	$345.5
82	$335.1

Total Debt in Millions of Dollars	
78	$170.4
79	$175.9
80	$160.6
81	$166.2
82	$171.9

COMMON STOCK DATA

1981	Dividends Per Share	Market Price Per Share	
1st Quarter	$.35	$35⅜	$27⅝
2nd Quarter	$.35	$49	$30⅝
3rd Quarter	$.35	$50⅞	$38¾
4th Quarter	$.35	$43¾	$28¼
1982			
1st Quarter	$.40	$41	$29⅜
2nd Quarter	$.40	$31⅞	$21½
3rd Quarter	$.40	$27⅞	$18⅞
4th Quarter	$.40	$26¾	$18

Although not without its difficulties and disappointments, 1982 was a satisfactory year for Whittaker Corporation. Company sales totaled $1,673,604,000 for the fiscal year, up slightly from $1,671,837,000 in 1981. Net income amounted to $58,688,000, the second highest in Whittaker's history, compared with a record $69,328,000 in 1981. Primary earnings per share were $3.77 in 1982, compared with $4.40 in 1981.

As of the end of fiscal 1982, Whittaker Corporation was in excellent financial condition. During the year, we invested nearly $60,000,000 in capital improvements, paid out over $25,000,000 in dividends—both all-time highs—and bought back 1,500,000 shares of Whittaker common stock in the open market at a cost of $34,000,000. Even so, at year-end Whittaker had well over $100,000,000 in cash and cash equivalent investments; our debt-to-equity ratio stood at a conservative .5 to 1; and the company had committed but undrawn lines of credit totaling in excess of $200,000,000.

As the sales and profit figures on the next page suggest, several segments of the company encountered extremely difficult market conditions in 1982. The unexpectedly long and deep recession in the domestic economy exacted a heavy toll from our Metals, Marine and Chemicals groups and probably will continue to do so well into 1983.

Particularly detrimental to the performance of our Metals and Marine groups has been the slide in oil exploration activity which began in earnest early in 1982. Suppliers serving this industry, including our Whittaker Metals and Fort Worth Pipe subsidiaries, have seen orders dwindle and prices decline; and our Survival Systems division, the world's largest builder of evacuation systems for offshore oil rigs, has had many deliveries postponed.

The 1982 results of our Chemicals group were adversely affected by losses at Great American Chemical, a subsidiary formulating vinyl resins and compounds, and provisions made for its closing in the third quarter of the year.

Far less sensitive to conditions in the general economy, our Technology group performed well in 1982. In terms of sales calculated in French francs, Bennes Marrel, our large subsidiary

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SALES AND OPERATING PROFIT CONTRIBUTION BY INDUSTRY SEGMENT ($ IN MILLIONS)

	Fiscal Year 1982		Fiscal Year	
	Sales	Operating Profit*	Sales	Operat Pro
Life Sciences	$ 917.0	$ 87.4	$ 744.0	$ 65
Metals	267.3	9.0	394.7	51
Technology	268.1	22.3	270.2	19
Marine	131.5	6.3	147.1	16
Chemicals	89.7	5.6	115.8	11
TOTAL	$1,673.6	$130.6	$1,671.8	$164

* *See Note 11 of Notes to Consolidated Financial Statements regarding the effect of the change i accounting method for foreign currency translation.*

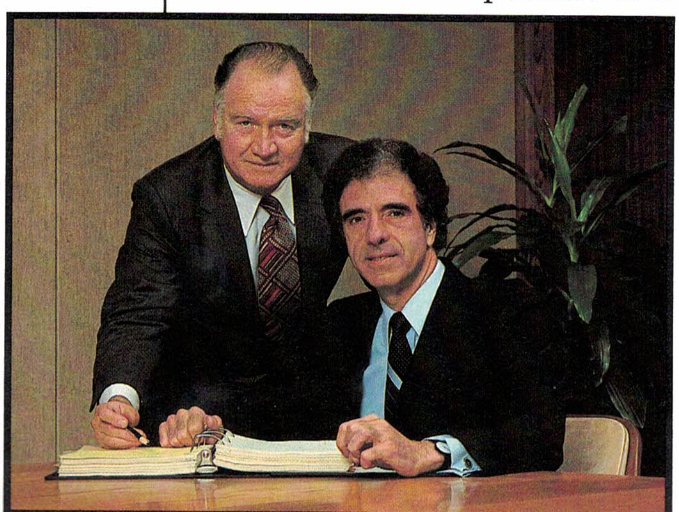
headquartered in France, had its best year in 1982. However, a decline in the value of the franc reduced the Technology group's comparative results as reported in dollars.

Life Sciences accounted for over half of Whittaker's sales and profits in fiscal 1982; and the performance of this segment of the company would have been even more impressive were it not for the considerable expenditures we have been making in restructuring our hospital supply subsidiary, Whittaker General Medical.

When we acquired it in mid-1980, our intention was to build Whittaker General Medical into a nationwide distribution network handling a significant percentage of self-manufactured products. While that remains our ultimate goal, we have been unable to achieve the large-scale vertical integration that we originally sought as rapidly as we had planned.

In late January of 1982, Whittaker commenced a tender offer for Brunswick Corporation securities as the first step in a proposed business combination. To frustrate this transaction, Brunswick's management entered into an agreement to sell its Sherwood Medical subsidary, the acquisition of which had been Whittaker's chief objective in pursuing Brunswick. After seeking unsuccessfully to enjoin the Sherwood sale, Whittaker terminated its offer for Brunswick securities.

Internationally, Whittaker is viewed as one of the world's leading providers of health care services to developing nations, and justifiably so. During 1982 alone, the hospitals we operate for the governments of Saudi Arabia, Abu Dhabi, and North Yemen treated approximately 1,000,000 patients, many of whom had little or no access to modern health care a decade ago. During 1982, we were awarded a new two-year contract to staff and manage Abu Dhabi's 534-bed Tawam hospital, which we have been operating since its commissioning in 1979, and opened a new 160-bed addition to the hospital we have operated in Jeddah, Saudi Arabia, since 1974. Whittaker now operates five hospitals as well as a number of clinics and dispensaries in Saudi Arabia. We are extremely proud of the humanitarian role we play in assisting the governments of developing nations to bring the finest medical care possible to their people.



Right
Joseph F. Alibrandi
President and Chief Executive Officer

Left
Harry S. Derbyshire
Executive Vice President, Chief Financial Officer and Treasurer

Between October 25 and December 10, 1982, Whittaker acquired in the open market 1,873,000 shares (8.3 percent) of the common stock of Smith International, Inc., a leader in the oil field services industry. After a comprehensive evaluation of this industry, we have concluded that it represents a unique investment opportunity, which we can pursue without detracting from our other strategic objectives. We had planned to make a larger investment in Smith International, but in deference to the wishes of Smith's management, whose policies and programs we fully support, we agreed to limit Whittaker to its current investment position. Carl E. Hartnack, a Whittaker director, will be nominated for election to the Smith International Board of Directors at the annual meeting of Smith shareholders this April, and we look forward to a mutually beneficial relationship with that fine company.

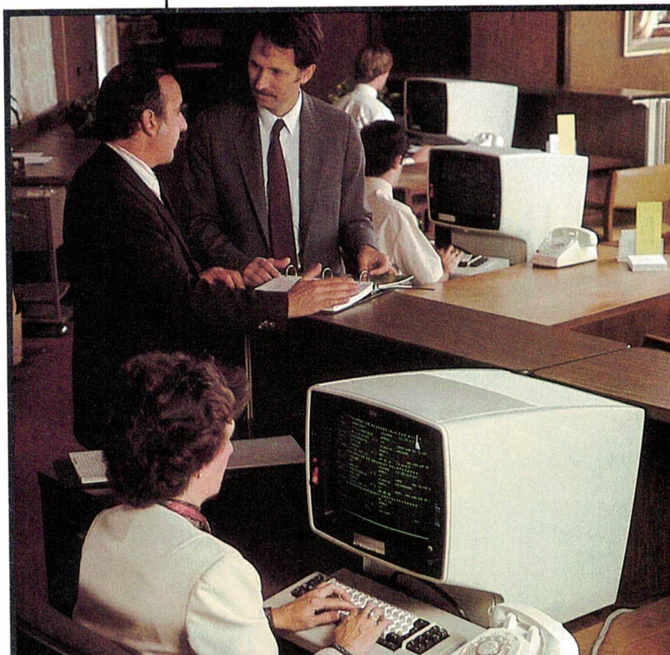
Life Sciences businesses accounted for sales of $917.0 million in fiscal 1982, or 55 percent of Whittaker's total revenue for the year. Whittaker is a leading international health care contractor, and one of America's largest distributors of medical/surgical equipment and supplies. The company renders management support services to health care institutions across the United States, and provides data processing systems and software for use in hospitals. Whittaker also produces a variety of biological and diagnostic products, and performs a full range of toxicological testing procedures.

Preceding page
Whittaker's internation-al health care team totals more than 5,000 experi-enced medical and sup-port personnel, including specialists such as these surgeons at Tawam hos-pital in Al Ain, Abu Dhabi.

INTERNATIONAL LIFE SCIENCES

As of year-end 1982, Whittaker employed approximately 5,3 medical and support personnel in its overseas health care programs.

Whittaker has been active in the international health care field since the early 1970s. In July of 1974, the company was awarded a health care management contract, the first of its ki in Saudi Arabia, to open three hospitals located in the commu ties of Jeddah, Khamis Mushayt and Tabuk. Within six month the hospitals were opened out-patient services, and a three were opened for full patient services by early 19 This contract has since be extended and expanded se al times.



Whittaker Medicus helps hospitals achieve greater efficiences through the application of modern computer technology to the increasingly complex and costly health care environment. Over 400 Whittaker Medicus pro-fessionals currently pro-vide data processing products and services to more than 300 U.S. hospitals, as well as a number of institutions abroad.

The MediPac patient accounting system is one of Whittaker Medicus' most popular software packages for hospitals. MediPac assimilates a patient's daily charges from various hospital departments and auto-matically produces a complete, accurate final statement, specifying what amounts are pay-able by the insurance company, the govern-ment and the patient.

The Jeddah hospital was intitially built as a 58-bed facility, and was enlarged 78 beds to provide a broad range of medical and surgi services. In addition to the hospital, Whittaker operat four dispensaries for out-patient treatment, as well as an 18-chair dental clini Jeddah. Twenty-two perce of the medical staff are Sa Arabian physicians. Five y ago, there were only two Saudi doctors on staff.

Over 260,000 out-patie were seen at the Jeddah h tal in 1982, and more tha 5,800 patients were admi for a total of 36,300 patie days.

A 160-bed addition to t Jeddah hospital was offici opened in August, 1982. This addition will offer all standard services, as well as numerous special services: a full burn un kidney dialysis, a CAT scanner and nuclear medicine.

The King Abdul Aziz hospital in Tabuk has been operating since 1975 as an acute care facility, and has recently been ex panded to include a 100-bed hospital annex, the King Khaled hospital, as well as three nearby dispensaries. Upon being awarded authority to operate the King Khaled hospital, and a similar facility in Khamis Mushayt, Whittaker worked closely with government officials to assess the medical service needs of the population and to formulate a comprehensive medical service plan to best meet those needs.

A total of 236,000 out-patients were seen at Tabuk in 1982, and 5,800 patients were admitted as in-patients for a total of 50,900 patient days.

Whittaker has operated the King Faisal hospital in Khamis Mushayt since 1975 as a full service hospital. Similar in architecture to the Tabuk hospital, the facility has been expanded to include the 100-bed Crown Prince Fahad hospital, two dispensaries and a recently completed dental clinic. Other specialized units at Khamis Mushayt include a well equipped and staffed kidney dialysis center and burn treatment center.

Operated by Whittaker for the government of Saudi Arabia, the new King Fahad hospital in Jeddah is one of the most modern facilities of its kind in the world. The hospital incorporates 20 specialty clinics and six fully equipped operating rooms to meet expanding medical needs.

At Khamis Mushayt 265,000 out-patients were treated during 1982, and 8,000 patients were admitted for a total of 58,800 patient days.

The recent dedication of the Whittaker-operated Al Salam (Peace) hospital in North Yemen opened the door to modern health care facilities to the people of a 20,000 square mile area in the Yemen Arab Republic. The hospital is located in the village of Sada'a, 60 miles from the Saudi Arabian border to the north.

Although officially opened on February 16, 1982, the hospital has been treating patients since the previous August, when the first out-patient was seen. By mid-February, 1982, the Al Salam hospital had already treated over 11,000 out-patients in its specialty clinics, which include internal medicine, Ob/Gyn, dental, ophthalmology and surgery. To date, the daily out-patient average has exceeded expectations, surpassing 600 visits per day.

In mid-1979, Whittaker signed a multi-year contract, renewed in 1982, to staff and manage the new, 534-bed Tawam hospital in Al Ain, Abu Dhabi (UAE). An acute-care referral center, the Tawam hospital offers all basic medical and surgical services and a wide range of specialties. Serving an immediate population of 80,000, the hospital treated 118,000 out-patients and admitted 5,300 in-patients in 1982, for a total of 56,300 patient days.

HEALTH CARE SERVICES

Domestically, Whittaker is a leading supplier of products a services to hospitals and other health care providers. In 1982 company's clients included nearly two-thirds of the nation's 7,500 hospitals and approximately 5,000 nursing homes, 30,0 physicians' offices, and 2,000 laboratories.

Representing most major national manufacturers of medical equipment and supplies, Whittaker General Medical carries some 60,000 line items used in hospitals, nursing homes, physicians' offices, laboratories, and home health care.

With 54 full-service dis bution centers located thr out the country, Whittake General Medical is one of largest suppliers of such nationally known medica brands as B-D, Bard, Ethic Johnson & Johnson and 3 The company carries mor than 60,000 line items, inc ing a variety of private lab exclusive and self-manufa tured products.

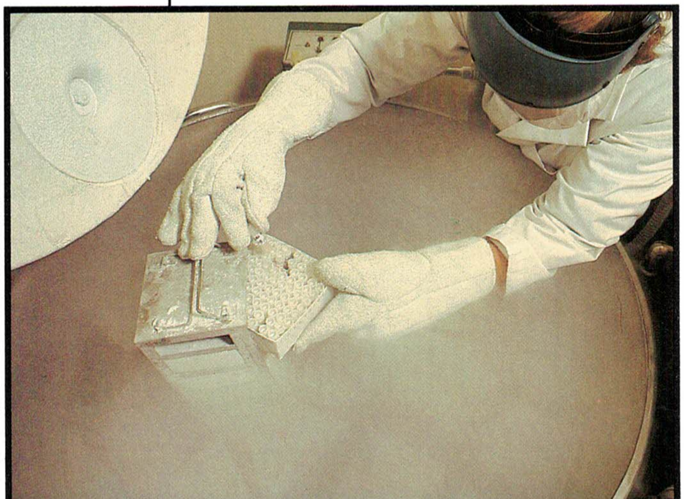
Whittaker General Med cal's advanced automated materials management (ADAMM) system, introduced early in 1982, is being adopted by a growing number of h pitals. Installed in hospital purchasing departments, ADAMM interfaces with Whittaker General Medical's intracompany distribution information system, enabling direct computer-to computer order entry and on-line order confirmation and stoc availability. In addition, ADAMM offers hospital materials m agers a family of software modules designed to help reduce in ventory processing costs.

Whittaker Medicus, headquartered in Evanston, Illinois, is leading management engineering consultant to hospitals in t United States and Canada. Not only does the company provid consulting services; it also manages hospital data processing cilities on a contract basis, and develops turnkey data process systems and proprietary software packages used in hospitals.

Examples of Whittaker Medicus software products include:

☐ *MediPac.* Introduction of the *MediPac* patient accounting system in 1982 was a major step in the development of a fully integrated, proprietary software product line for the IBM *370* a *4300* series computers, which are in use in some 60 percent o all U.S. hospitals of over 300 beds. Patient accounting, the pro ess of keeping track of hospital bills, is extremely complex an growing more so with every change in law governing health c delivery and reimbursement. *MediPac* is designed to replace existing patient accounting software which is unable to cope with regulatory and other complexities of the contemporary patient accounting environment.

☐ *MediFlex.* Already in use in more than 250 hospitals, *MediFlex* is a financial modeling/budgeting system offered to hospitals and health care agencies both on a stand-alone basis and via time sharing from the Whittaker Medicus data center in Atlanta, Georgia. Designed to construct "what if" projections from budget variables, *MediFlex* can forecast the consequences of the slightest change in operating costs, patient census, pricing or reimbursement policy.



At Microbiological Associates, Bethesda, Maryland, viable tumors and cell cultures are preserved in liquid nitrogen storage tanks at −145 degrees Centigrade. Even after a lengthy period of storage, these frozen tissues can be thawed, made to grow again and then used in malignancy, pharmacological and toxicological testing.

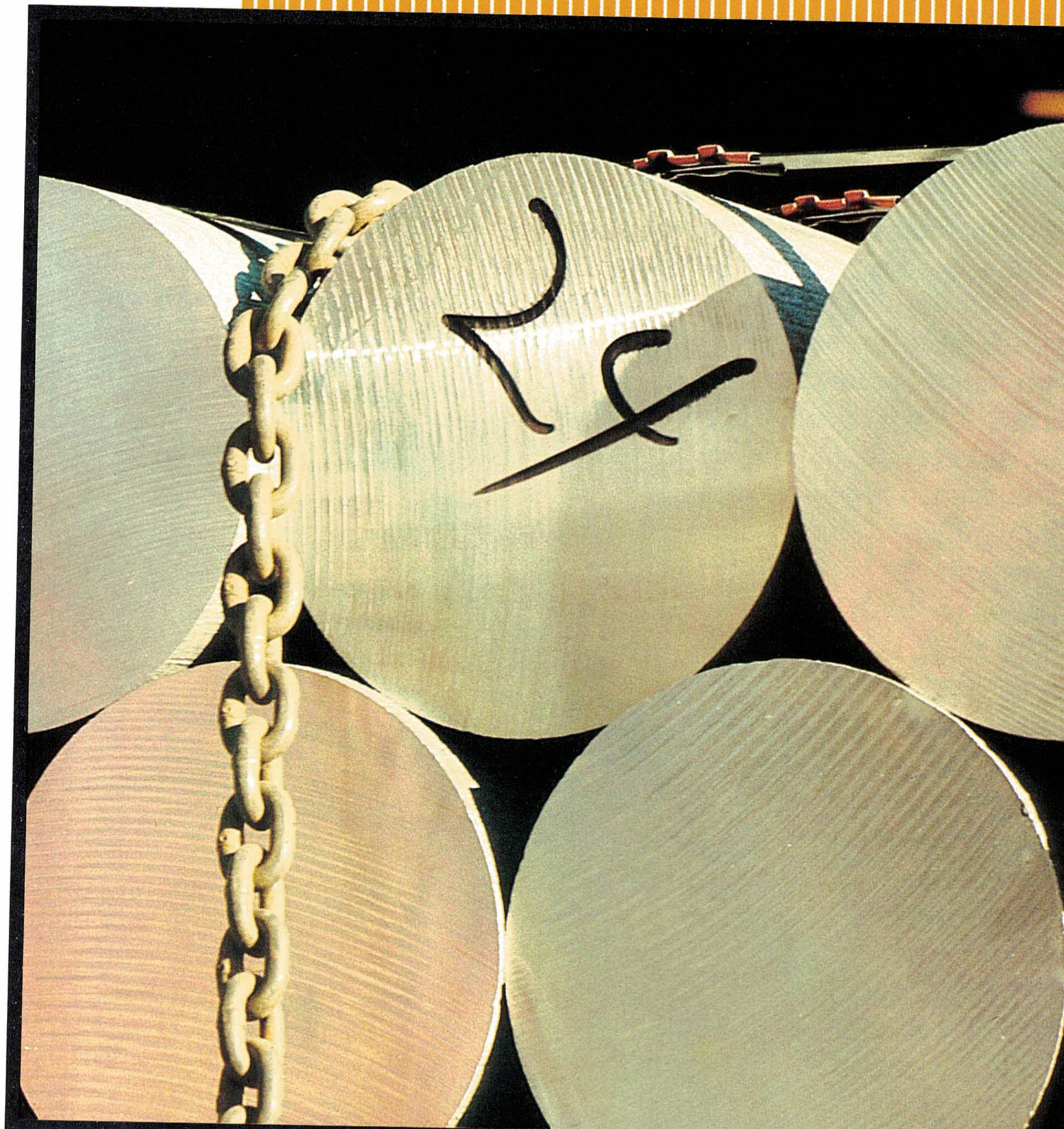
Hospital and clinical laboratories use Cytomegelisa *and* Rubelisa *test kits—developed by Whittaker's M.A. Bioproducts unit—in prepregnancy screening to determine whether women are immune to cytomegalovirus and rubella, diseases that can cause congenital deformities. These enzyme-based tests for teratological diseases are simpler to use and yield results faster than traditional assay techniques.*

BIOSCIENCES

Three Whittaker operating units—M.A. Bioproducts, Microbiological Associates, and Whittaker ToxiGenics—together provide specialized products and services ranging from clinical diagnostic kits to toxicological testing.

M.A. Bioproducts, Walkersville, Maryland, is a leading manufacturer of diagnostic enzyme immunoassays for human and veterinary diseases such as rubella, rubeola, herpes, cytomegalovirus, varicella, and bursal disease. The company also manufactures and distributes enzyme immunoassays for therapeutic drugs and haptens.

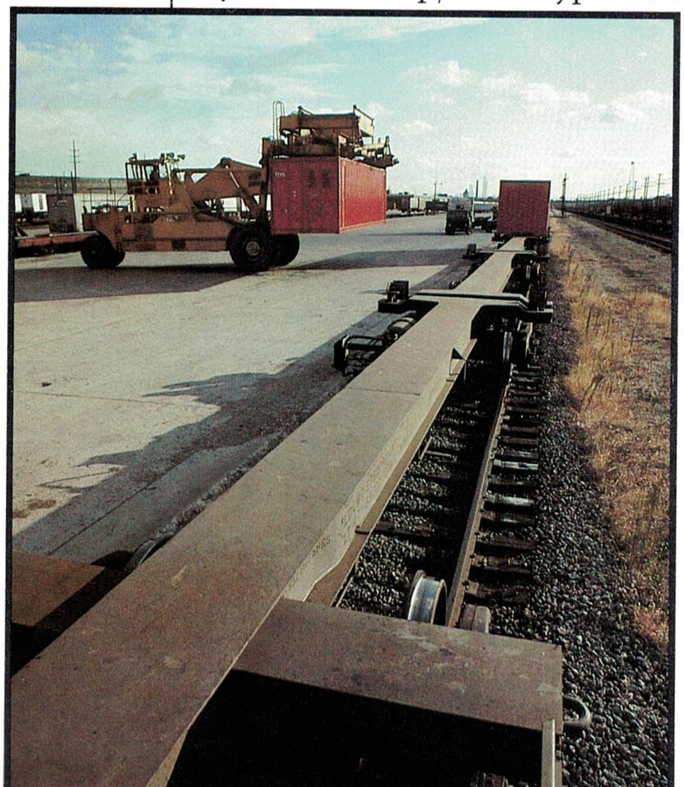
Few independent contract laboratories offer a range of toxicological testing capabilities as comprehensive as Whittaker's. Microbiological Associates, Bethesda, Maryland, and Whittaker ToxiGenics, Decatur, Illinois, perform *in vitro* (test tube) and *in vivo* (animal) studies for the detection of toxicity and cancer producing potential in chemical products. Also, with the acquisition of E G & G Mason Research Institute's Rockville, Maryland laboratory early in 1982, Microbiological Associates assumed a leading position in "genetic toxicology" testing, which seeks to determine whether various chemical substances cause harmful genetic alterations when introduced into bacteria or mammalian cell cultures.



Metals group sales were $267.3 million, or 16 percent of company revenue, in 1982. Wh taker is a leading builder of rail road freight cars, and an important producer of oil country tubular goods and aluminum components used in automotive applications. The company also distributes general-line and s cialty metal products, primarily to manufacturers of automobiles, oil tools, farm implements, aircraft, and electronic equipment.

RAILCARS, PIPE AND CASTINGS

Whittaker's Berwick Forge & Fabricating Division, Berwick, Pennsylvania, is a major builder of a broad line of freight cars and freight car components for railroads, leasing companies and utilities. The division's future plans center on production of coal hoppers, lightweight coal cars, and "intermodal" cars (vehicles designed to carry containers or trailers that are also transported by truck or ship). Prototypes of such cars have been introduced, and are currently being tested in actual service:



Designed to carry four 40-foot cargo containers, Berwick Division's articulated intermodal car can also be built to handle longer or shorter units or to incorporate additional platforms. Weighing 88,000 pounds, this prototype car is significantly lighter—and thus less expensive to operate—than intermodal cars designed to carry both containers and trailers.

Opposite
Steel bar and tubing distributed by Whittaker Metals' four Southwest service centers are used in the manufacture of oil drilling and production tools such as drill collars, packers, gas lift valves and fishing gear.

☐ Berwick's quick-release coal hopper is designed for "unit trains" used by utilities to haul coal from mines to power plants. The car's eight simultaneously activated discharge doors permit unloading in 20 seconds, cutting the unloading time for an entire unit coal train from several hours to less than an hour.

☐ In cooperation with Intermodal Concepts, Inc., Berwick will manufacture and market a new flexible-length intermodal platform (FLIP) car for short haul (up to 250-mile) transport of truck trailers. Consisting of short railcars linked together by the trailers loaded upon them (each car carries the front end of one trailer and the rear wheels of the trailer ahead of it), the FLIP system will accommodate trailers of any length. The loaded cars are pulled by a highway truck tractor fitted with retractable railroad wheels.

Whittaker's Fort Worth Pipe subsidiary in Texas produces such oil country tubular goods as well casing, down-hole tubing, and line pipe used to carry oil from wells to storage tanks and refineries. Incorporating the latest technology, including computer control, the company's Conroe, Texas mill complex is capable of cold-forming and welding in excess of 10,000 tons of API (American Petroleum Institute) "prime" pipe per month in diameters from 2⅜ through 8⅝ inches and lengths from 16 through 42 feet.

Recent additions to the facility include a state-of-the-art quench-and-temper mill for producing alloy-grade tubulars required for heavy duty service, and modern automatic threading equipment with capacity to handle full mill output.

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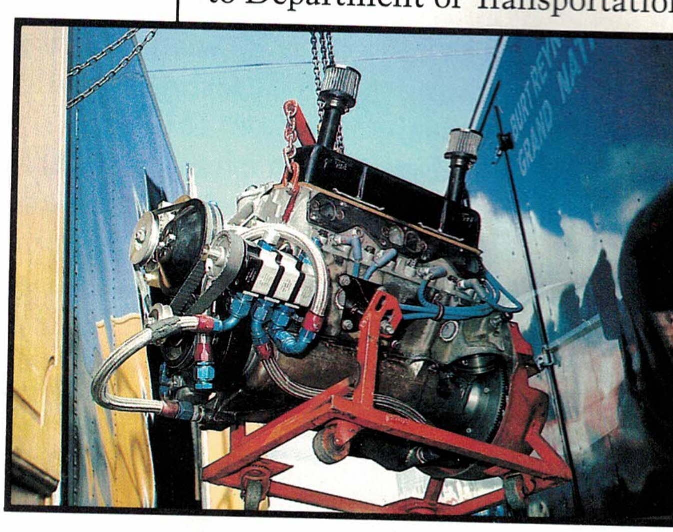
At its Conroe, Texas mill, Fort Worth Pipe Company produces welded pipe in diameters from 2⅜ through 8⅝ inches. After being cut to length and pressure tested, the pipe is threaded, fitted with couplings, painted and then distributed through the company's 11 Southwest stocking points.

Fort Worth Pipe serves more than 1,000 customers with a
of tractor-trailers operating from 11 stocking points through
the Southwest.

Winters Industries, a Whittaker subsidiary located in Can
Ohio, is an aluminum foundry serving automotive and auto
parts manufacturers. On its permanent-mold and new, autom
sand casting lines, the company manufactures thousands of
engine intake manifolds each day for GM models such as th
Chevrolet *Camaro, Cavalier, Impala,* and *Caprice;* the Pont
J-2000 and *Firebird;* and the Buick *Skyhawk;* and for the Fo
cort. Detroit relies on such lightweight parts to bring its flee
to Department of Transportation fuel efficiency standards.



Special 8-cylinder, 360-cubic-inch engines running in the grueling, 500-mile Grand National Championship stock car races rely on high performance aluminum cylinder heads manufactured by Whittaker's Winters Industries unit under contract to General Motors' Parts Division. An experienced producer of these "heavy duty" castings, Winters is well qualified to be a supplier of the large quantities of aluminum heads that Detroit plans to use for production cars in coming years.

Winters also produces a
number of high-performa
manifolds and cylinder h
for aftermarket sale throu
Holley Carburetor and GM
Parts Division. A special
Chevrolet Motors group h
been working with Winte
develop modified parts fo
racing engine applications
an aid to improving perfor
ance in standard producti
vehicles.

METALS DISTRIBUTION

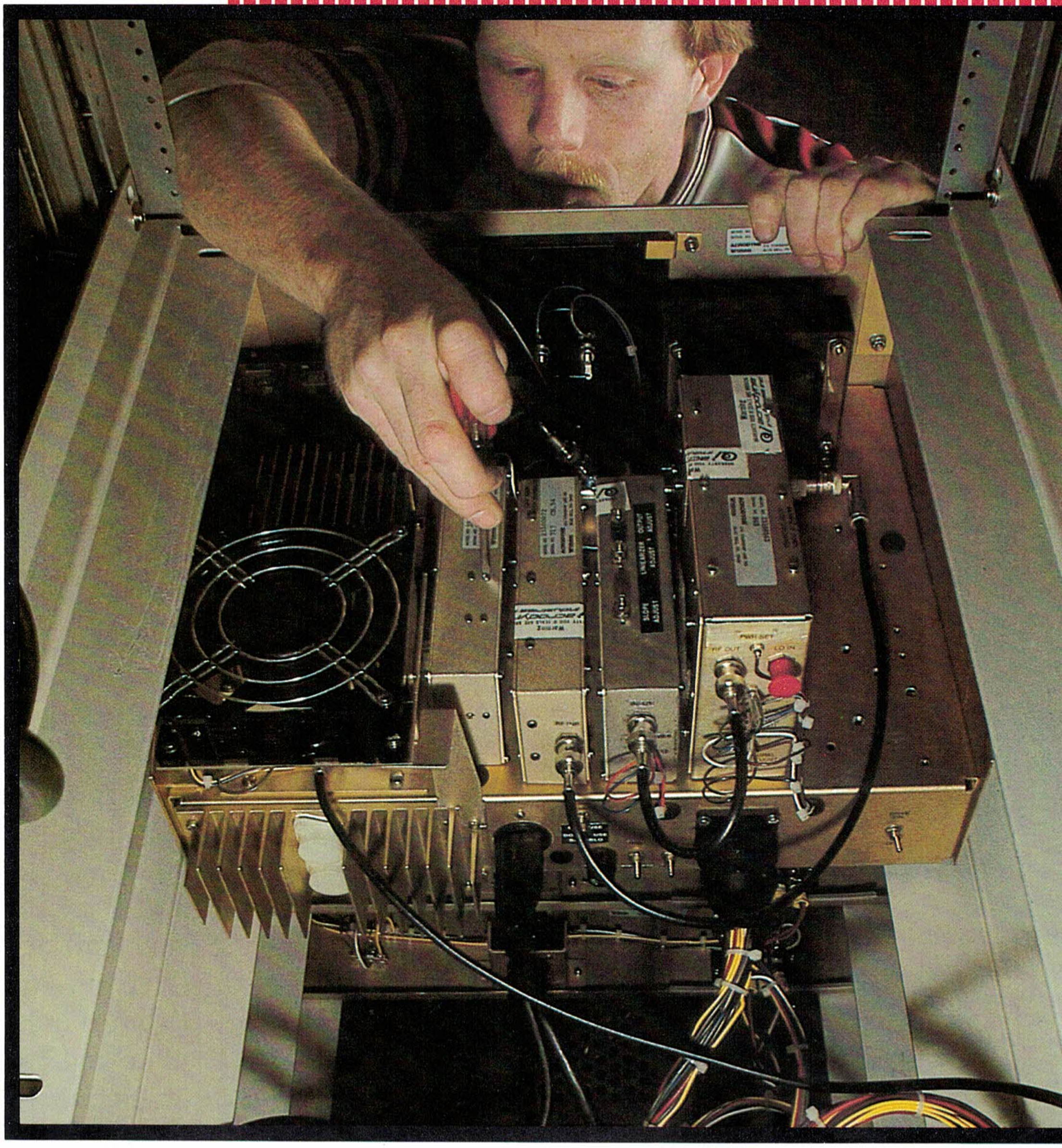
From warehouses in Houston, Dallas, Tulsa, and Lafayette (Louisiana), Whittaker's Houston-based Whittaker Metals subsidiary distributes metal products such as alloy, stainless steel and copper bar; carbon mechanical tubing; and aluminum sheet, plate and extrusions. Customers include major producers of oil tools, aircraft, and electronic equipment as well as a variety of smaller manufacturers of such products as winches, valves, pumps, conveyer systems and hand tools. The recent opening of new facilities in Houston and Dallas has increased Whittaker Metals' total warehouse space to more than 300,000 square feet.

After being slit, cut to length and leveled at Juster Steel Division's 185,000-square-foot Minneapolis facility, this hot rolled coil stock is distributed to manufacturers of farm implements and other fabricated metal products.

Technibilt Division commands a significant share of the U.S. market for shopping carts, which is estimated to approximate 1.25 million unit sales per year. In the West, Technibilt products are used by Ralphs, Safeway, Hughes, Lucky and most of the other major supermarket chains.

The three divisions of Whittar Industries Ltd., a Whittaker-managed partnership, market a variety of quality metal products. Steel Strip Division, Detroit, processes and distributes precision width-and-gauge steel, primarily to automotive industry customers. Juster Steel Division, Minneapolis, distributes hot-rolled coil stock, plate and bar to manufacturers of farm machinery, oil and gas tanks, electronic equipment and many other end products. Juster's recently expanded 185,000-square-foot facility and extensive decoiling operation—including slitting, cut-to-length and leveling lines—qualify the division as one of the upper Midwest's largest and best equipped steel suppliers.

Acquired early in fiscal 1982, Whittar's Technibilt Division is one of the nation's leading fabricators of shopping carts for supermarket, drug and variety store chains. At its 300,000-square-foot manufacturing facility in Burbank, California, Technibilt produces more than 500,000 shopping carts per year—and also fabricates metal racks, baskets, utility trucks, dollies and a variety of specialized industrial carts and carriers.



The Technology group reported sales of
$268.1 million, or 16 percent of compa
revenue, in 1982. This group is made u
a large overseas manufacturer of hydra
components and materials handling machinery, and a numb
of domestic operations specializing in products for aerospac
defense, and agriculture.

HYDRAULICS

Bennes Marrel, Whittaker's largest European subsidiary, is a major manufacturer of hydraulic devices and equipment of four basic types:

☐ Rear- and side-dumping truck tipping bodies, and hydraulically actuated materials handling equipment such as cranes, elevators and truck-mounted container handling systems.

☐ *Marrel Pac,* a waste management system that hydraulically compacts and containerizes refuse for efficient transportation to sanitary landfills. This system is used by heavy industry, shopping centers, airports and by more than 60 municipalities around the world.

☐ Airport services equipment ranging from cherry pickers for airplane maintenance to freight loading systems for entire airports. For Paris' Roissy/Charles de Gaulle Airport, Bennes Marrel designed and built a completely computerized cargo handling system—incorporating elevating transfer vehicles, mechanized platforms and bridges—that is capable of simultaneously loading two Boeing 747s in just 45 minutes.

☐ Self-advancing roof supports for mechanized mining operations. Bennes Marrel mining equipment has been installed in coal, phosphate and potash mines in France, Poland, Yugoslavia, Germany, Spain and Egypt.

Bennes Marrel also has won international renown for its engineering assistance to developing nations. The company supervised the construction and start-up of Sonacome's million-square-foot truck body plant in Algeria, and designed and built major hydraulics manufacturing facilities in both Tunisia and Nigeria.

Whittaker's Bennes Marrel subsidiary manufactures airport services equipment such as catering trucks, "cherry pickers" for airplane maintenance, and self-propelled loaders. The company has furnished more than 150 aircraft cargo loaders to airlines/airports in Europe, Africa, the Mideast and Far East.

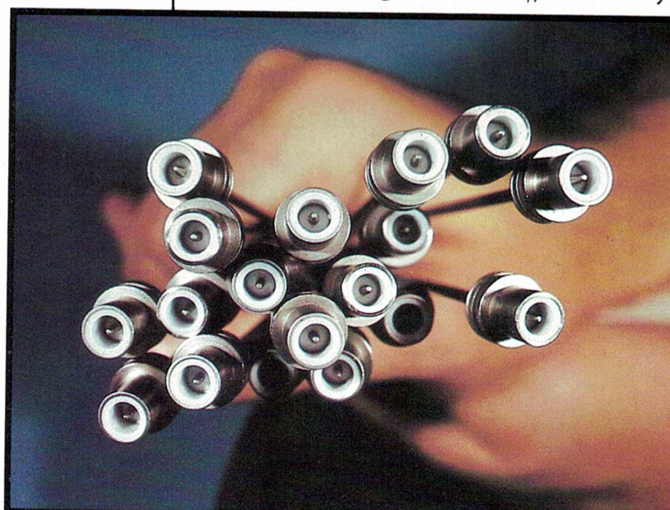
Bennes Marrel is France's largest builder of truck tipping bodies. The company is also a major exporter of these devices to Germany's Mercedes Benz and other European truck manufacturers.

Opposite
Acrodyne Industries produces VHF and UHF television transmitters in the 1 watt to 12.5 kilowatt power range. The division anticipates an increase in domestic transmitter sales as the FCC makes headway in reviewing more than 7,000 recently received applications for new low power TV stations.

AEROSPACE/ELECTRONICS

Whittaker Controls, North Hollywood, California, prod fluid controls used in every class of American-built aircraf forming shut-off, check, relief and flow-control functions riety of pneumatic, hydraulic and fuel systems, these prec valves are built to tolerances closer than .0001-inch, and o reliably under conditions of extreme temperature and vibr

Whittaker Controls currently manufactures fluid contro vices for most U.S. and many foreign aircraft: commercial ports (Boeing *757, 767*), military jets *(F-16, F-18)*, business j *(Citation 3*, Mitsubishi *MU-300)*, and commute (Saab/Fairchild *SF-340*). company also supplies valves for a host of aircr gines, including the nev & Whitney *2037* gas tu engine.



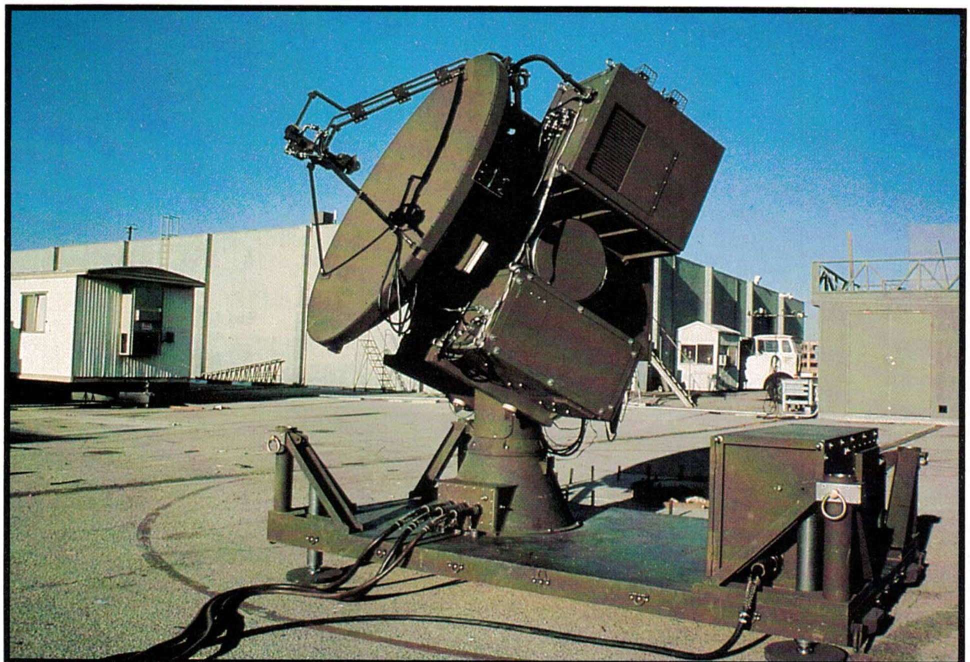
Featuring a stainless steel jacket, welded-on connectors, hermetic seals and a silicon-dioxide dielectric, the construction of ERI Division's high performance coaxial cable is superior to that of competing products in its resistance to caustic substances, moisture, extreme heat, high pressure, radiation, shock and vibration.

Bermite Division, Sau California, is one of the est non-government ord producers in the U.S. Th vision specializes in pyr nic devices, solid propellant rocket motors, ammunition, f and warheads. Programs in which Bermite currently partic include *Chaparrel, Bushmaster,* and McDonnell Douglas'

Tasker Systems Division, Chatsworth, California, manu tures key components for an electronic countermeasures sy that enables pilots to jam or deceive the fire control radar o emy missiles. The division expects to produce hundreds of units for *B-52* and *B-1B* bomber programs over the next fiv years. Another important Tasker electronic warfare product the *Modular Threat Emitter (MTE),* a sophisticated pilot tr system that simulates various types of enemy fire control Tasker also produces run visual range systems use every major airport in th U.S., as well as small air visibility systems that m tor distances of from ¼ to four miles.

Whittaker Controls builds several unique valves used in the avionics cooling system of Boeing's new 767 airliner. The valve shown has as its main element a "flapper" which is contoured to the fuselage shape and, when closed, forms an integral part of the aircraft skin.

In nearby Burbank, Ca nia, ERI Division manuf tures high performance coaxial electronic cables in "severe environment" plications—for instance, *Tasker Systems Division's sophisticated* Modular Threat Emitter (MTE) *is designed to facilitate Air Force and Navy pilot training exercises by simulating various types of enemy fire control radar. Equipped with transmitter modules that can be easily interchanged, the advanced* MTE *system is far more versatile and economical than conventional radar simulation equipment.*



fighter aircraft, missiles, communications satellites and the Space Shuttle. ERI cables are also used in nuclear reactors to carry temperature and other data from monitoring devices in the pressure vessel out to operators in the control room.

Yardney Electric Corporation, a majority-owned Whittaker subsidiary headquartered in Pawcatuck, Connecticut, is a leading producer of high-energy-density battery systems for military, aerospace and commercial applications. On a special battery control line opened in September under contracts awarded by the U.S. Navy's Strategic Systems Project Office and Lockheed Missile and Space Company, Yardney builds silver-zinc batteries for the *Poseidon* and *Trident* Fleet Ballistic Missile Systems. The company also produces silver-zinc batteries for the guidance and control systems of delivery vehicles used to launch satellites from the Space Shuttle.

Other key Yardney products include remotely activated silver-zinc batteries used in tactical missiles such as the *Sparrow, Hawk, Harpoon* and *Patriot;* batteries for torpedo target vehicles; nickel-hydrogen batteries for commercial communications satellites; and a silver-zinc battery pack for RCA's new *Hawkeye* portable videotape color camera. Yardney's Water Management Products Division, Riverside, California, produces water filtration equipment for agricultural and industrial applications.

Acrodyne Industries, Blue Bell, Pennsylvania, is a producer of VHF and UHF television transmitters in the 1-watt to 12.5-kilowatt power range. At present, sales to governments of developing nations in Central and South America, Africa and the Mideast account for the bulk of this division's business.

Marine sales totaled $131.5 mi
in fiscal 1982, or eight perce
Whittaker's revenue. Whitta
continues to rank as the world's largest producer of pleasu
boats over 25 feet in length, and also builds commercial fis
vessels and sophisticated marine survival craft.

Opposite
The Trojan International *line is built on a revolutionary new hull (the* DeltaConic*) that improves performance and reduces operating costs.*

PLEASURE BOATS

Bertram Yacht Division, Miami, manufactures premier quality, high performance cruisers and sportfishing vessels ranging from 26 through 58 feet in length. The boats are marketed through dealerships in all parts of the U.S., and also exported into more than 50 markets in Europe, South America and the Far East. The division has received the coveted President's "E" and "E Star" Awards for excellence in export promotion.

At its shipyard near Sarnico, Italy, Whittaker's Cantieri Riva subsidiary manufactures 12 prestigious luxury boat models—ranging from a 19-foot open runabout to the sumptuous 66-foot *Montecarlo* yacht. Renowned for rakish lines, elegant interiors and state-of-the-art technology, Riva boats are virtually handmade, from their multi-layer fiberglass hulls to their rich leather and fabric upholstery. The company's cadre of 250 highly skilled craftsmen put the most painstaking workmanship into every boat, while supervisory personnel perform scrupulous quality control checks at every phase of the production process.

Bertram's recently introduced 26-foot Sport Convertible *offers accommodations for two for weekend cruises or offshore fishing trips. The new boat features a forward cabin area that makes into a 77-inch double berth, an optional galley/dinette unit amidships, and a 37-square-foot cockpit aft. Twin 165-horsepower engines deliver up to 33 mph and a cruising range of over 200 miles.*

Riva's new 42-foot Malibu *is a luxury, high-performance motor yacht incorporating two double cabins, salon, galley, bath, bridge (and flying bridge), and a spacious stern deck. So functional are the boat's internal layout and facilities that* Malibu *owners are able—without the assistance of a service crew—to maintain a standard of comfort typical of more elaborate yachts. Like all Riva models, the* Malibu *radiates refined elegance in every detail.*

Traditionally a builder of motorboats and family cruisers ranging from 20 through 47 feet in length, Trojan Yacht Division, Lancaster, Pennsylvania, is now producing an entirely new series of pleasure boats—the *International* line—featuring innovative engineering, high performance, and avant-garde styling. Currently available in 9- and 10-meter lengths (11- and 13-meter versions will be introduced in 1983), the Trojan *International* line includes an express cruiser (with open cockpit), a sport sedan (incorporating a deck house and flying bridge), and a spacious aft-cabin model.

The *International* is built on a revolutionary new hull—called the *DeltaConic*—that provides quick and efficient planing and unusual transverse stability, thereby reducing operating costs and improving performance. The boat's styling highlights graceful, sweeping lines, elegantly decorated interiors, and bold hull graphics that offer buyers an added means of personalizing ownership.

COMMERCIAL CRAFT

Whittaker's Survival Systems Division, La Mesa, Califor manufactures evacuation capsules for offshore oil rigs and forms. Built in three sizes to accommodate 14, 36, and 50 p sons, Whittaker survival capsules are lowered to and lifted the sea by means of a single cable, which permits rapid lau ing and recovery. Once deployed, the capsules protect their pants from flames and heat, propel them away from the are immediate danger, and shield them from the elements unti arrives.

Whittaker's new 50/54-man capsule features the same design advances that have been so well received in its 36/38-man model: an aft helmsman's tower which gives the operator 360 degrees of visibility and also makes the survival craft inherently self-righting; a slightly elongated hull configuration which improves courseholding and steering capabilities; and an automatic cable release hook which provides additional safety during launch.

More than 1,600 of the division's evacuation sys designed to meet or exce safety requirements set b international regulatory cies, are now being used such major oil producing as the North Sea, Alaska, Gulf of Mexico and South Asia.

Desco Marine Division Augustine, Florida, is a bu er of commercial fishing trawlers in the 68- to 75-foot class. Desco's fiberglass hulls o fishermen such advantages as steel-like strength and econom of maintenance and operation. Desco supplies most of its ve to fishing companies and independent U.S. fishermen workin the Gulf of Mexico and Pacific Northwest waters, as well as to markets in South and Central America, Africa and the Far East.

Kettenburg Marine Division in San Diego is a leading retai wholesaler of marine supplies and equipment, and also perfo maintenance and repair work on military, commercial and pl ure craft.

Chemical products accounted for sales of $89.7 million, or five percent of Whittaker's revenue, in 1982. The Chemicals group formulates resins and coatings for a wide range of specialized industrial applications, and is a leading developer of non-polluting, energy-saving products for such purposes. In addition, the group manufactures "liquid plastics" used as sealants and molding compounds, as well as "chemical specialties" such as gel coats,

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INDUSTRIAL COATINGS

One of the nation's leading suppliers of coatings for st
aluminum coil, Whittaker's Chemicals group command
20 percent of the U.S. market for such products. Coil co
are factory-applied to long strips of metal *before* these st
slit into sheets and formed into products. Thus, the finis
must have flow charac
tics suitable for high-s
coating lines and must
flexible enough after d
withstand bends and st
without cracking or pe

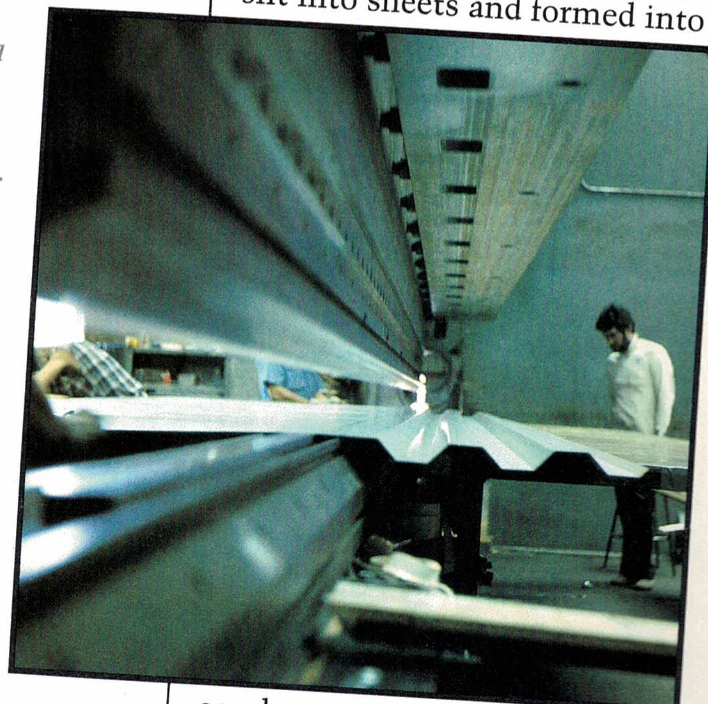
Whittaker's *Polycera*
3200 coil coatings for c
mercial and industrial b
ing applications offer al
characteristics, plus the
ty to resist climatic cha
corrosion and abrasion f
many years. *Plastisol XI*
mil-thick coating for ste
aluminum roofing and si
features superior toughn
combat aggressive weather, smog, and acid rain environmen

The Chemicals group manufactures a number of finishes
spray-coating of fabricated metal products. Particularly impo
tant are "high-solids" coatings used on desks, chairs, partitio
and other office equipment—as well as on aluminum windo
and other extrusions for commercial buildings. Containing
smaller amounts of petroleum-based solvent and requiring lo
curing temperatures than conventional coatings, high-solids
ishes enable Whittaker's customers to comply with environm
tal regulations while cutting energy costs.

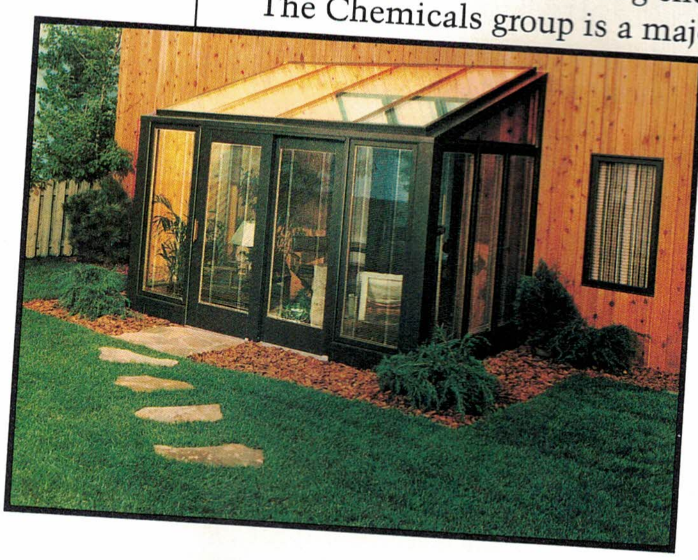
The Chemicals group is a major supplier of urethane and hi
solids finishes *(Curathane*
and *Curalac)* for recreation
products such as tennis rac
ets, baseball bats, basketbal
skis and firearms.

Other Whittaker coatings
include: water-based *Aqua-ceram* finishes for business
machine housings; fast drying, durable *Zone-Lac* finishes for road striping and
curb painting; and coatings
for metal drums and pails.

Since Whittaker coil coatings are applied to metal before it is formed into products, these finishes must be flexible enough to withstand bends and stresses without cracking and peeling.



Preceding page
At seven manufacturing facilities strategically located around the U.S., Whittaker's Chemicals group produces coatings for a variety of coil, general industrial and specialty applications.



Finishes for aluminum windows and building panels constitute an important part of Whittaker's chemical coatings business. For instance, Whittaker corrosion-resistant, polyester-based coatings are used on both extruded and roll-formed aluminum exterior components of premier quality sunrooms and skylights manufactured by Rolscreen Company, Pella, Iowa.

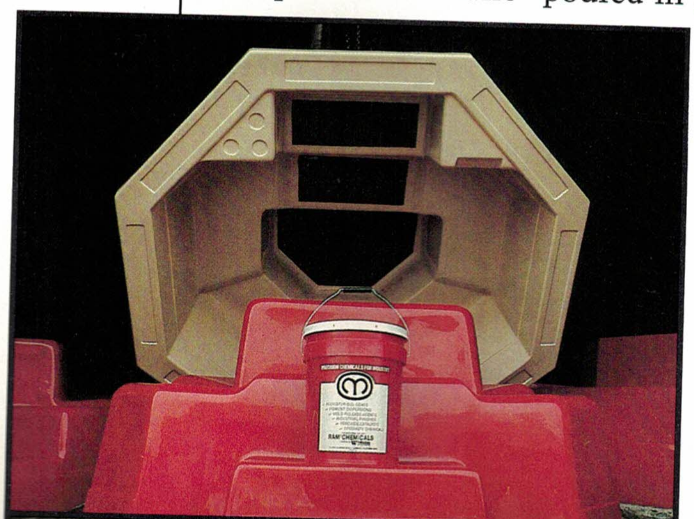
PLASTICS AND SPECIALTIES

A number of the divisions constituting Whittaker's Chemicals group are producers of plastics and chemical specialties. Providence Chemical Division in Rhode Island manufactures "liquid plastics"—plastisol and urethane formulations called *Chem-o-sol* and *Chem-o-thane*, respectively—that can be used as sealants, coatings and molding compounds in or on food packaging, automotive air cleaners, tool handles, play balls and hundreds of other products. The Providence unit also manufactures two-component urethane "poured-in-place" sports flooring for gymnasiums and field houses; and a PVC "powder blend" formulation used by extruders of pet flea collars.

The Wind and Duall Divisions, located in Brockton and Athol, Massachusetts, produce custom extruded thermoplastics, primarily for customers in the automotive, recreational, stationery products, marine and shoe industries.

Among Whittaker's chemical specialties units, Ram Chemicals Division, Los Angeles, manufactures polyester gel coats used as decorative/protective finishes for fiberglass reinforced plastics (FRP) products. The division supplies these coatings, as well as mold release agents and pigment dispersions, to manufacturers of boats, recreational vehicles, construction modules, spas, and many other FRP products.

Drawing on special expertise in large-scale alkali metal-liquid ammonia reactions, Heico Division, Delaware Water Gap, Pennsylvania, makes high purity "intermediates" for pharmaceuticals, flavorings, fragrances and agricultural chemicals. A third chemical specialties unit, Dayton Chemicals Division in Ohio, manufactures rubber-to-metal bonding agents for automotive and related applications. Sealants for the food packaging industry are manufactured at a separate Whittaker facility in Dayton.



Whittaker's Ram gel *coats are used as finishes on spas, spa molds and many other fiberglass reinforced plastics products.* Ram gel coats' *reputation for superior appearance, color fastness, durability, and resistance to water and stains has won this product a loyal customer base throughout North America.*

Whittaker markets two kinds of synthetic sports surfaces: a two-component urethane flooring (Chemothane) *manufactured by its Chemicals group, and PVC sheet-goods flooring* (Uni-turf) *to which Whittaker has exclusive distribution rights. This 25,000-square-foot* Chemothane *floor at the Berkshire Preparatory School, Sheffield, Massachusetts, accommodates three full-sized basketball courts.*

OFFICERS

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President and Chief Executive Officer

Harry S. Derbyshire
Executive Vice President, Chief Financial Officer and Treasurer

Paul B. Dinkel
Senior Vice President

Alan D. Jacobson
Senior Vice President and Secretary

Joseph Kleiman
Senior Vice President

Jean d'Aligny d'Assignies
Vice President

Frank C. Buhlman
Vice President

William G. Christmas
Vice President

Philip C. Heeter
Vice President

Daniel Hofmann
Vice President and Chief Accounting Officer

George H. Hunter, Jr.
Vice President

Thomas O. Maxfield
Vice President

Ronald C. Moss
Vice President and Controlle

Robert W. Murray
Vice President

Ernest L. Park, Jr.
Vice President

Gregory T. Parkos
Vice President

Stanley K. Weissberg
Vice President

DIRECTORS

Edmund F. Ackell
President, Virginia Commonwealth University[2,4]

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President, Whittaker Corporation[1]

J. Dewey Daane
The Frank K. Houston Professor of Banking, Vanderbilt University[3]

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Executive Vice President, Chief Financial Officer and Treasurer, Whittaker Corporation[1]

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Carl E. Hartnack
Chairman, International Board, Security Pacific Corporation[1,3]

Sanford Kaplan
Management Consultant[1,2,3]

Joseph Kleiman
Senior Vice President, Corpora Development, Whittaker Corp

Frank J. Rauscher, Jr.
Senior Vice President, Researc American Cancer Society[4]

Robert Reznick
Chairman and Chief Executive Craig-Hallum Corporation, a h company with interests in the ties and food processing indust

John C. West
Attorney at Law[4]

[1] Member of Executive Commit
[2] Member of Audit Committee
[3] Member of Compensation and Option Committee
[4] Member of Nominating Comm

WHITTAKER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 1982

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

For the Years Ended October 31	1982	1981*	1980*	1979*
Summary of Operations		*(Dollar amounts in thousands)*		
Sales	$1,673,604	$1,671,837	$1,396,225	$1,073,634
Net income	$ 58,688	$ 69,328	$ 57,504	$ 46,773
Earnings per share				
Primary	$3.77	$4.40	$3.90	$3.28
Fully diluted	$3.73	$4.29	$3.70	$3.10
Average common and common equivalent shares outstanding (in 000)	15,411	15,619	14,597	14,069
Dividends per common share	$1.60	$1.40	$1.00	$.42½
Other Data				
Working capital	$ 190,392	$ 238,672	$ 197,546	$ 160,066
Total assets	$ 919,664	$ 867,095	$ 784,533	$ 642,819
Long-term debt	$ 154,645	$ 134,032	$ 132,420	$ 130,022
Shareholders' equity	$ 335,120	$ 345,459	$ 289,912	$ 234,625
Current ratio	1.45:1	1.63:1	1.55:1	1.58:1
Debt to equity ratio	.51:1	.48:1	.55:1	.75:1
Capital additions	$ 59,500	$ 39,200	$ 37,100	$ 30,300
Total employees	17,300	17,000	16,600	14,500
Shareholders of record	18,000	18,000	20,000	22,000

**During 1982 Whittaker adopted Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." If this state had been applied during the prior four years, net income would have been increased by $8,687,000 (56 cents per share) in 1981, reducec $1,876,000 (13 cents per share) in 1980, reduced by $2,906,000 (21 cents per share) in 1979 and increased by $1,585,000 (11 cents per sha 1978. See Note 5 of Notes to Consolidated Financial Statements.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

COMPARISON OF 1982 TO 1981

Sales for 1982 increased by $2,000,000 from 1981. Life Sciences sales increased by $173,000,000, of which $113,000,000 represented increased levels of operations of the Company's overseas healthcare programs and $38,000,000 represented increased sales of medical, surgical and laboratory products to the domestic healthcare industry. The Metals segment reported a $127,000,000 sales decrease from 1981 due primarily to a sharp sales decrease by Metals units serving the oil and gas industry, caused principally by a decline in drilling activity, and a decrease in the sales of railroad freight cars, attributable to a continuing industry slowdown caused by a lack of demand. Technology sales decreased by $2,000,000. While sales, as stated in French francs, of hydraulic devices by operations headquartered in France were 14% higher in 1982 than 1981, those sales reported in dollars for the 1982 period were $11,000,000 lower than for 1981 as a result of a 17% decline in the average value of the French franc in relation to the dollar from 1981 to 1982. Marine sales decreased by $15,000,000, primarily attributable to reduced demand. The $26,000,000 decrease in Chemicals sales was also attributable to reduced demand, primarily from customers in the construction and transportation industries, and the closedown of resin operations in the third quarter of 1982.

Cost of sales as a percentage of sales was lower in 1982, primarily reflecting the increased proportion of sales attributable to the relatively higher margin overseas healthcare operations within the Life Sciences segment. Operating expenses were higher in the current year, due primarily to high selling and general and administrative expenses of the medical, surgical and laboratory products distribution operations, including substantial amounts associated with a major restructuring program which was initiated in the fourth quarter of 1981 and is expected to continue in 1983.

The increase in minority interest in 1982 was attributable to the increased operating profits of a majority owned Saudi Arabian subsidiary which administers the Company's healthcare program in that country and the reduction during the fourth quarter of 1982 of the Company's interest in that subsidiary from 70% to 51%.

Pre-tax income in 1982 decreased by $31,000,000 from 1981 due primarily to sharply reduced sales by Metals units serving the oil and gas industry. The Life Sciences segment reported higher pre-tax income in 1982, primarily attributable to increased levels of activity in the Company's overseas healthcare operations. The 1982 results of the medical, surgical and laboratory products distribution operations compared unfavorably with the 1981 results, reflecting losses attributable primarily to high selling and general and administrative expenses including substantial amounts associated with the restructuring program. This was largely offset by improved profitability of the medical information systems business which had experienced losses in 1981. Profits from the sales of hydraulic devices decreased primarily as a result of the comparative weakness of the French franc and a French national price freeze which prevented the Company from passing on to customers increased labor and material costs that it had experienced. Profits of the Marine segment decreased primarily as a result of lower sales, and lower profits of the Chemicals segment were primarily attributable to losses associated with its resin operation which was closed down during the third quarter of 1982. The effect of foreign currency exchange fluctuations in 1981, principally affecting the Technology and Marine segments, was to decrease pre-tax income by $8,200,000. Foreign currency exchange fluctuations during 1982 had no effect on income as a result of new accounting rules relating to foreign currency translation procedures.

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COMPARISON OF 1981 TO 1980

Sales for 1981 increased by $276,000,000, or 20%, from 1980. Life Sciences sales increased by $266,000,000, of which $184,000,000 was attributable to the March 1980 acquisition of the assets of General Medical Corporation, a domestic distributor of medical, surgical and laboratory products to the healthcare industry, and the balance primarily reflected the increased operating levels of the Company's overseas healthcare programs.

The Metals segment reported a $19,000,000 sales increase in 1981. A $71,000,000 decrease in sales of railroad freight cars and related equipment, attributable to a continuing industry slowdown caused primarily by reduced rail shipments and high interest rates which discouraged purchases, was largely offset by a $69,000,000 increase in sales of Metals units serving primarily the oil and gas industry, attributable to increased customer demand and the increased availability of tubular goods produced by the Company's pipe mill which commenced operations in February 1980. Sales of other Metals operations increased modestly.

Technology sales decreased by $14,000,000 in relation to 1980. A 25% decline in the value of the French franc in relation to the dollar resulted in a $44,000,000 reduction in the reported dollar value of 1981 sales of hydraulic devices by operations headquartered in France, which was largely offset by increased volume at those operations.

Marine sales increased $10,000,000. Increased demand for survival capsules (used primarily on offshore drilling rigs and platforms) and pleasure boats was largely offset by reduced demand for commercial fishing vessels.

Chemical sales decreased by $5,000,000, primarily attributable to the elimination of low margin product lines.

Cost of sales and operating expenses as a p
of sales were slightly lower in 1981. The imp
relatively lower margins contributed by the
surgical and laboratory product distribution
acquired in March 1980 was more than offse
increased sales by the relatively higher marg
healthcare operations within the Life Scienc
and the Metals units serving primarily the o
gas industry.

The increase in minority interest in 1981 w
able to the increased operating profits of a m
owned Saudi Arabian subsidiary which admi
Company's healthcare program in that count

Pre-tax income in 1981 increased by $31,00
1980, due primarily to increased levels of act
favorable revision in a program profit-at-com
estimate and favorable contract closeouts, all
to Life Sciences activities in the Middle East,
increased sales by Metals units serving the oi
industry. Profits of the Chemicals segment in
significantly over 1980, primarily attributable
elimination of low margin product lines and t
effect on 1980 profits caused by difficulties ex
in integrating prior acquisitions. Results of th
road car manufacturing operation within the
segment were down sharply due to reduced v
and the losses of the medical information sys
business within the Life Sciences segment in
substantially on lower volume and higher dev
ment costs. The effect of foreign currency exc
fluctuations, principally affecting the Technol
and Marine segments, was to decrease pre-tax
by $8,200,000 in 1981 and to increase pre-tax i
by $1,900,000 in 1980.

CHANGING PRICES

For an explanation of the impact of changing p
inflation on operating results, refer to Note 13
to Consolidated Financial Statements.

FINANCIAL CONDITION

Working capital increased from $160 million at the beginning of 1980 to $190 million at end of 1982, reflecting principally higher inventory and receivables resulting from the acquisition of the assets of General Medical Corporation in March 1980 and from internal growth. In 1982 working capital decreased by $48 million, reflecting principally the acquisition of 1,500,000 shares of the Company's common stock at a cost of approximately $34 million. Subsequent to the end of fiscal 1982, the Company reduced working capital by approximately $50 million, which was invested in marketable securities. The current ratio at the end of 1982 was 1.45 to 1 as compared to 1.63 to 1 at the end of 1981 and 1.55 to 1 at the end of 1980.

The Company's primary source of capital has been funds provided from operations, with $81 million generated in 1982, $89 million in 1981 and $77 million in 1980. These internally generated funds were sufficient to cover the Company's aggregate capital expenditures of $135 million, working capital requirements of $30 million and dividends of $62 million during the past three years.

The Company's debt to equity ratio has decreased from .75 to 1 at the beginning of 1980 to .51 to 1 at the end of fiscal 1982. Total debt, both short and long term decreased by $4 million over the last three years, while stockholders' equity increased by $100 million, attributable primarily to earnings retained by the Company.

Capital expenditures for 1983 are estimated to be $40 million, a $19 million decrease from 1982. An increase in working capital to support higher levels of business is anticipated.

The Company anticipates that substantially all of its operating cash needs in 1983 will be covered by internally generated funds. The Company has $206 million available under various bank loan agreements and lines of credit. No amounts were drawn under these lines at October 31, 1982. The Company has additional credit facilities for certain subsidiaries with various domestic and foreign banks totaling $79 million, of which $11 million was borrowed at October 31, 1982.

INFORMATION REGARDING WHITTAKER SECURITIES

Principal Markets

The Common Stock and 10% Subordinated Debentures due 1988 are listed on the New York Stock Exchange Pacific Stock Exchange (Symbol: WKR). The 4½% Convertible Subordinated Debentures due 1988, 9⅝% Sub nated Debentures due 1993 and 10% Subordinated Debentures due 1996 are listed on the New York Stock Exc The $1.25 Cumulative Convertible Preferred Stock and the 4¾% Convertible Subordinated Debentures due 1 are traded in the over-the-counter market. There is no established market for the $5.00 Cumulative Converti Preferred Stock.

Common Stock Holders

As of December 31, 1982, there were 17,556 registered holders of the Common Stock.

Common Stock Prices

The following table sets forth the high and low sales prices of the Common Stock during Whittaker's two mos recent fiscal years.

	Quarter Ending						
	January 31		April 30		July 31		Octob
	High	Low	High	Low	High	Low	High
1981	35⅜	27⅝	49	30⅝	50⅞	38¾	43¾
1982	41	29⅜	31⅞	21½	27⅞	18⅞	26⅜

Dividends

Dividends of $.31¼ and $1.25 were declared on each share of the $1.25 Preferred Stock and $5.00 Preferred Stock spectively, during each quarter of Whittaker's two most recent fiscal years. Dividends of $.35 were declared on e share of Common Stock during each quarter of fiscal year 1981 and $.40 for each quarter of fiscal year 1982. A qu terly Common Stock dividend of $.40 per share was declared for the first quarter of fiscal 1983.

Common Stock Transfer Agents

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071

Citibank, N.A.
111 Wall Street
New York, New York 10043

Common Stock Registrars

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071

Chemical Bank
20 Pine Street
New York, New York 10015

Preferred Stock Transfer Agent and Registrar

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071

Trustees for Debentures

4¾% Convertible Subordinated Debentures due 1987
Bank of America
555 South Flower Street
Los Angeles, California 90071

4½% Convertible Subordinated Debentures due 1988
Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071

10% Subordinated Debentures due 1988
Citibank, N.A.
111 Wall Street
New York, New York 10043

9⅝% Subordinated Debentures due 1993
Bankers Trust Company
One Bankers Trust Plaza
New York, New York 10006

10% Subordinated Debentures due 1996
Continental Illinois National Bank and
Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended October 31	1982	1981	1980
		(In thousands)	
Sales	$1,673,604	$1,671,837	$1,396,225
Costs and expenses			
Cost of sales	1,298,200	1,305,704	1,109,227
Engineering, selling and general and administrative	230,554	197,586	153,990
Interest on long-term debt	14,570	16,112	14,835
Other interest, net	(3,882)	(3,165)	(1,075)
Minority interest in income of subsidiaries	28,117	18,586	13,609
	1,567,559	1,534,823	1,290,586
Income before provision for taxes	106,045	137,014	105,639
Provision for taxes (Note 6)	47,357	67,686	48,135
Net income (Note 5)	$ 58,688	$ 69,328	$ 57,504
Earnings per share (Note 2)			
Primary	$3.77	$4.40	$3.90
Fully diluted	$3.73	$4.29	$3.70

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	October 31 1982	198
	(In thousands)	
CURRENT ASSETS		
Cash	$ 38,516	$ 40,89
Short-term investments	69,450	25,51
Receivables:		
Notes receivable	4,825	5,67
Trade accounts receivable	215,283	238,46
Other receivables	8,200	9,72
Allowance for doubtful accounts	(6,304)	(6,53
Inventories (Note 1)	265,159	294,90
Prepaid expenses	3,479	3,2
Deferred income taxes (Note 6)	12,438	7,6
Total Current Assets	611,046	619,5
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 3 and 8)		
Land and land improvements	25,536	22,0
Buildings and improvements	107,742	107,9
Equipment	178,317	149,6
Construction in progress	12,093	8,4
	323,688	288,0
Less accumulated depreciation and amortization	116,202	109,9
	207,486	178,1
OTHER ASSETS		
Goodwill, net of amortization	39,787	38,4
Notes receivable—noncurrent	23,264	17,0
Software, net of amortization	3,539	4,8
Miscellaneous	34,542	9,1
	101,132	69,4
	$919,664	$867,0

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31 1982	1981
	(In thousands)	
Liabilities		
CURRENT LIABILITIES		
Notes payable (Note 3)	$ 10,534	$ 12,174
Current maturities of long-term debt (Note 3)	6,764	20,005
Accounts payable	129,126	121,164
Accrued liabilities	98,253	97,016
Customer advances	115,311	64,180
Income taxes payable (Note 6)	60,666	66,320
Total Current Liabilities	420,654	380,859
LONG-TERM DEBT (Note 3)	154,645	134,032
MINORITY INTEREST IN SUBSIDIARIES	9,245	6,745
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)		
Stockholders' Equity		
Capital Stock (Note 4):		
Preferred stock, stated value $1 per share, authorized 5,000,000 shares—		
$1.25 cumulative convertible preferred stock, outstanding 21,977 shares at October 31, 1982 and 24,995 shares at October 31, 1981	22	25
$5.00 cumulative convertible preferred stock, outstanding 122,662 shares at October 31, 1982 and 123,882 shares at October 31, 1981	122	124
Common stock, stated value $1 per share, authorized 40,000,000 shares— Outstanding 14,386,127 shares at October 31, 1982 and 15,534,181 shares at October 31, 1981	21,382	22,530
Additional paid-in capital	124,807	120,290
Retained earnings	203,280	202,490
Cumulative translation adjustments (Note 5)	(14,493)	—
Total Stockholders' Equity	335,120	345,459
	$919,664	$867,095

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Three Years Ended October 31, 1982 *(In thousands)*	**Convertible Preferred Stock**	**Common Stock**		**Additional Paid-in Capital**	**Retained Earnings**	**Cumulative Translation Adjustments (Note 5)**	
		Shares	**Amount**				
BALANCE AT NOVEMBER 1, 1979	$265	13,559	$20,555	$ 92,372	$121,433	$ —	$23
Net income	—	—	—	—	57,504	—	5
Cash dividend on preferred stock	—	—	—	—	(700)	—	
Cash dividend on common stock	—	—	—	—	(14,093)	—	(1
Conversion of preferred stock	(101)	207	207	(106)	—	—	
Shares issued under stock plans	—	144	144	823	—	—	
Exercise of warrants	—	975	975	13,575	—	—	1
Conversion of convertible debt	—	418	418	5,890	—	—	
Shares reacquired	—	(469)	(469)	—	(8,780)	—	(
BALANCE AT OCTOBER 31, 1980	164	14,834	21,830	112,554	155,364	—	28
Net income	—	—	—	—	69,328	—	6
Cash dividend on preferred stock	—	—	—	—	(659)	—	
Cash dividend on common stock	—	—	—	—	(21,490)	—	(2
Conversion of preferred stock	(15)	30	30	(15)	—	—	
Shares issued under stock plans	—	253	253	1,771	—	—	
Conversion of convertible debt	—	418	418	5,980	—	—	
Shares reacquired	—	(1)	(1)	—	(53)	—	
BALANCE AT OCTOBER 31, 1981	149	15,534	22,530	120,290	202,490	—	345
Net income	—	—	—	—	58,688	—	58
Cash dividend on preferred stock	—	—	—	—	(644)	—	
Cash dividend on common stock	—	—	—	—	(24,789)	—	(24
Conversion of preferred stock	(5)	8	8	(3)	—	—	
Shares issued under stock plans	—	139	139	1,609	—	—	1
Conversion of convertible debt	—	207	207	2,911	—	—	3
Shares reacquired	—	(1,502)	(1,502)	—	(32,465)	—	(33
Translation adjustments:							
As of November 1, 1981	—	—	—	—	—	(3,455)	(3
Current year	—	—	—	—	—	(11,038)	(11
BALANCE AT OCTOBER 31, 1982	$144	14,386	$21,382	$124,807	$203,280	$(14,493)	$335

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Years Ended October 31	1982	1981	1980
		(In thousands)	
Working Capital Provided by			
Operations			
Net income	$ 58,688	$ 69,328	$ 57,504
Items not affecting working capital—			
Depreciation and amortization	21,840	19,920	17,220
Deferred taxes	—	—	2,687
Working capital provided from operations	80,528	89,248	77,411
Disposals of property, plant and equipment	9,307	10,776	11,258
Decrease in noncurrent notes receivable	—	—	2,041
Issuance of long-term debt	38,909	31,251	1,487
Debt assumed in connection with purchased businesses	—	—	19,102
Issuance of common stock upon conversion of debt	3,118	6,398	6,308
Issuance of common stock upon exercise of warrants	—	—	14,550
Other items, net	—	—	2,299
	131,862	137,673	134,456
Working Capital Applied to			
Assets acquired in connection with purchased businesses—			
Property, plant and equipment	5,893	—	17,540
Goodwill	2,213	—	70
Capital expenditures	59,475	39,240	37,133
Reduction of long-term debt	18,296	29,639	18,191
Cash dividends on preferred stock	644	659	700
Cash dividends on common stock	24,789	21,490	14,093
Cost of company stock reacquired	33,967	54	9,249
Increase in noncurrent notes receivable	6,234	3,365	—
Increase in noncurrent investments	19,708	—	—
Currency translation adjustments	7,426	—	—
Other items, net	1,497	2,100	—
	180,142	96,547	96,976
Increase (Decrease) in Working Capital	$ (48,280)	$ 41,126	$ 37,480
Increase (Decrease) in Working Capital Accounted for by			
Cash and short-term investments	$ 41,557	$ 733	$ 24,563
Receivables	(25,334)	20,332	44,181
Inventories	(29,748)	43,552	47,902
Prepaid expenses	228	1,396	(1,894)
Notes payable	1,640	2,422	19,860
Current maturities of long-term debt	13,241	(6,422)	(2,172)
Accounts payable and accrued liabilities	(9,199)	(23,412)	(35,498)
Customer advances	(51,131)	17,589	(57,653)
Income taxes	10,466	(15,064)	(1,809)
Increase (Decrease) in Working Capital, as above	$ (48,280)	$ 41,126	$ 37,480

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

(A) Principles of Consolidation: The consolidated financial statements include the accounts of Whittaker and its majority-owned subsidiaries.

(B) Short-term Investments: Short-term investments are carried at cost, which approximates market, and consist primarily of certificates of deposit, time deposits, bankers' acceptances and other forms of short-term money market investments.

(C) Inventories: Inventories are stated at the lower of cost or market. Cost has been determined under the last-in, first-out (LIFO) method with respect to approximately 45 per cent of total inventories. The cost of all other inventories has been determined principally on the first-in, first-out (FIFO) method. If all inventories valued on the LIFO basis were valued at FIFO, inventories would be $17,580,000 and $12,421,000 higher than reported at October 31, 1982 and 1981, respectively.

(D) Intangibles: Goodwill resulting from acquisitions made prior to November 1, 1970 is not amortized unless, in the opinion of management, it has diminished in value. Goodwill arising from acquisitions subsequent to October 31, 1970 is amortized using the straight-line method over 40 years.

Purchased software is related to the medical information systems business and is amortized using the straight-line method over seven years.

(E) Property and Depreciation: Property, plant and equipment is depreciated using the straight-line method based upon the following useful lives:

Land improvements	5–20 years
Buildings and improvements	5–45 years
Leasehold improvements	Lesser of economic life or term of lease
Equipment	2–20 years

Whittaker has followed the policy of capitalizing expenditures for expansion of plant facilities and also expenditures that materially increase the life of the asset. Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation and amortization of property and equipment sold or retired are removed from the accounts and resulting gains or losses are included in income.

(F) Long-term Contracts: Whittaker generally accounts for long-term contracts using a percentage-of-completion method.

NOTE 2. Earnings per Share

Earnings per common and common equivalent share have been computed based on the weighted average number of common shares outstanding and those securities, stock options and warrants which are common stock equivalents with a dilutive effect, after deducting from net income the dividend requirements on the outstanding $5.00 cumulative convertible preferred stock. Securities considered as common stock equivalents with a dilutive effect are the $1.25 cumulative convertible preferred stock, the 4¾% convertible subordinated debentures due 1987 and certain stock options and warrants.

Fully diluted earnings per share give effect to the assumed conversion of certain convertible debentures and notes not considered as common stock equivalents which would have a dilutive effect and the assumed conversion of the $5.00 cumulative convertible preferred stock.

NOTE 3. Notes Payable and Long-Term Debt

At October 31, 1982, Whittaker had available lines of credit of $206,000,000 under various bank loan agreements. No amounts under these lines were drawn upon at October 31, 1982. Maturities of commitments under these agreements range from one to five years. Interest rates range from ½% above the bank's federal funds rate to ½% above the London Interbank Offered Rate on Eurodollar borrowings and prime rate on domestic bo[rrowings]. Commitment fees under these agreements [are] between ¼% and ⅜% on the unused portions of the lines. In addition, under certain of the agreements, t[he] company is expected to maintain unrestricted comp[en]sating balances averaging 3% of amounts committe[d] plus 5% of amounts borrowed.

Whittaker has additional credit facilities for certain subsidiaries with various domestic and foreign banks totaling approximately $79,000,000, of which $10,534,000 was drawn upon at October 31, 1982. Interest rates on these lines are keyed primarily to prime or other prevailing rates, and such interest rates on the borrowings outstanding at October 31, 1982 approximated 13%.

The maximum amount of short-term borrowing outstanding at any month-end during the year ended October 31, 1982 was approximately $19,000,000, the average amount outstanding during 1982 was approximately $9,000,000, and the average interest rate (after giving effect to fees but not compensating balances) during 1982 was approximately 16%.

Long-term debt consisted of the following:

	October 31, 1982	October 31, 1981
	(In thousands)	
COLLATERALIZED DEBT—		
Notes collateralized primarily by certain real property and equipment maturing at various dates to 1999, with interest rates ranging to the higher of 15% or 70% of prime	$ 40,168	$ 35,727
CAPITALIZED LEASE OBLIGATIONS—		
Obligations payable in varying monthly or quarterly installments through 1999, with interest rates ranging to the higher of 11% or 65% of prime (Note 8)	18,868	18,429
UNCOLLATERALIZED DEBT—		
Bank loan due 1982, with interest at 8½%	—	10,000
Notes maturing at various dates to 1992, with interest rates ranging to 14%	22,710	21,437
Bank loan due 1985 through 1989 with interest at prime	18,000	—
SUBORDINATED DEBT—		
5% subordinated notes due 1982	—	569
9⅝% subordinated debentures due 1983 through 1993	12,261	14,964
10% subordinated debentures due 1983 through 1988	11,834	12,084
10% subordinated debentures due 1986 through 1996 (less unamortized discount of $1,564,000 at October 31, 1982 and $1,735,000 at October 31, 1981)	32,700	32,529
CONVERTIBLE SUBORDINATED DEBT—		
4½% convertible subordinated debentures due 1983 through 1988, convertible into common stock at $47 per share	4,425	4,744
Convertible subordinated note due 1981, convertible into common stock at $15 per share, with variable interest keyed to the three-month Eurodollar rate plus 1%	—	3,000
4¾% convertible subordinated debentures due 1983 through 1987, convertible into common stock at $17 per share	443	554
	161,409	154,037
Less current maturities	6,764	20,005
	$154,645	$134,032

At October 31, 1982, collateral for notes payable and for long-term debt, consisting primarily of real property and equipment, amounted to approximately $45,000,000.

Maturities of long-term debt are as follows for the periods stated:

Year ending October 31,	(In thousands)
1983	$ 6,764
1984	8,781
1985	14,425
1986	17,219
1987	18,855

Covenants in connection with bank loan agreements, indentures, lines of credit and other long-term loan agreements impose restrictions with respect to, among other things, the maintenance of financial ratios and the disposition of assets, and require payments to sinking funds.

NOTE 4. Capital Stock

All shares of preferred stock outstanding are voting, cumulative and convertible into common stock. Each share of the $5.00 preferred stock is convertible into 1.854 shares of common stock, and each share of $1.25 preferred stock is convertible into 2.06 shares of common stock. The $5.00 preferred stock is redeemable, at the option of Whittaker, at $100 per share and is entitled to preference of $100 per share upon voluntary liquidation and $50 per share upon involuntary liquidation (aggregate of $6,133,000 at October 31, 1982). There is no restriction on retained earnings resulting from the fact that the preference of the $5.00 preferred stock upon involuntary liquidation exceeds its stated value. The $1.25 preferred stock is redeemable, at the option of Whittaker, at $35 per share and has no preference in liquidation. The Board of Directors is authorized to issue preferred stock in series and to fix dividend rates, conversion rights, voting rights, rights and terms of redemption and liquidation preferences and to increase or decrease the number of shares of any series.

Common stock reserved for issuance at October 31, 1982 was as follows:

	Shares in Thousands
For conversion of—	
$1.25 cumulative convertible preferred stock	45
$5.00 cumulative convertible preferred stock	228
Convertible debentures	121
For shares issuable in connection with employment agreements	85
For employee stock options	1,433
For employee restricted stock plan	242
For exercise of outstanding warrants	83
	2,237

Outstanding warrants to purchase common stock at October 31, 1982 are shown below:

Shares in Thousands	Exercise Price	Expiration Date
50	$19.92	Apr., 1985
33	$29.89	Apr., 1985
83		

Whittaker had reserved 1,433,469 shares of comm
stock at October 31, 1982 for future issuances under
stock option plans. Options to purchase common st
are conditioned upon continued employment, expir
from five to ten years after the grant date, and gener
are exercisable on a cumulative basis at 20 or 25 per
cent each year commencing with the second year. T
following information for the three years ended Oct
ber 31, 1982 relates to options granted in 1974 throug
1982 under the plans.

	Options Outstanding in Thousands	Price R
Balance, October 31, 1979	592	$ 2.99 to $1
Options granted	115	15.00 to 3
Options cancelled or expired	(58)	2.99 to 2
Options exercised	(144)	2.99 to 1
Options assumed in connection with a purchased business	35	8.44 to 2
Balance, October 31, 1980	540	2.99 to 32
Options granted	698	29.06 to 49
Options cancelled or expired	(79)	6.75 to 49
Options exercised	(222)	2.99 to 24.
Balance, October 31, 1981	937	8.45 to 49.
Options granted	512	19.63 to 36.
Options cancelled or expired	(648)	13.06 to 49.
Options exercised	(38)	11.50 to 24.
Balance, October 31, 1982	763	8.45 to 42.

At October 31, 1982 options for 136,449 shares were exercisable.

NOTE 5. Foreign Exchange Translation

Effective with the first quarter of fiscal 1982, Whittaker adopted new accounting rules as set forth in Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Under Statement No. 52, all balance sheet accounts of foreign subsidiaries are translated at the current exchange rate and income statement accounts are translated at the average exchange rate for the period. Resulting translation adjustments are made directly to a separate component of stockholders' equity. Under the previous accounting rules, certain balance sheet and income statement items were translated at historical exchange rates and all translation adjustments were made directly to income. The adoption of Statement No. 52 resulted in a reduction in stockholders' equity of $3,455,000 at November 1, 1981 to reflect the accounting change and an additional $11,038,000 reduction at October 31, 1982 resulting from exchange rate fluctuations during fiscal 1982. Foreign currency exchange rate fluctuations reduced net income in fiscal 1981 by $8,687,000 (56 cents per share) and increased net income in fiscal 1980 by $1,876,000 (13 cents per share). Had these prior two years been restated to give effect to the new standard, net income would have been increased in 1981 and decreased in 1980 by such amounts.

NOTE 6. Income Taxes

The following is a summary of the federal, foreign and state income tax provisions:

	Year Ended October 31		
	1982	1981	1980
		(In thousands)	
Components of the provision—			
Federal	$39,885	$55,412	$35,595
Foreign	7,131	9,399	10,754
State	4,097	4,748	3,869
Investment tax credit (flow through method)	(3,756)	(1,873)	(2,083)
	$47,357	$67,686	$48,135
Classification of the provision—			
Currently payable	$42,233	$63,423	$51,376
Deferred	5,124	4,263	(3,241)
	$47,357	$67,686	$48,135

The "Components of the provision—Foreign" represents foreign income taxes on earnings of foreign subsidiaries. Whittaker accrues United States income taxes on all earnings of foreign subsidiaries where both the foreign income tax rates are lower than United States rates and such earnings are intended to be remitted to Whittaker. Whittaker has no present intention to repatriate the accumulated earnings of certain foreign subsidiaries. Should such accumulated earnings be repatriated, the resulting additional taxes (based upon current tax rates and reduced by credits for foreign taxes paid) would approximate $1,750,000 at October 31, 1982.

Domestic income (including income from foreign operations which is taxable in the United States) of $89,437,000, $123,633,000 and $78,783,000 for 1982, 1981 and 1980, respectively, is included in Income before provision for taxes.

The provision for deferred income taxes resulting from timing differences is comprised of the following:

	1982	1981	1980
		(In thousands)	
Depreciation	$4,230	$1,690	$ 1,583
Accrued liabilities	598	(2,954)	(3,951)
Foreign earnings to be remitted	992	2,721	(493)
Other items	(696)	2,806	(380)
	$5,124	$4,263	$(3,241)

The tax provisions for 1982, 1981 and 1980 are different from amounts computed by applying the U.S. statutory rate to income before provision for taxes. The reasons for these differences are as follows:

	1982	1981	1980
		(In thousands)	
Expected tax expense	$48,780	$63,026	$48,594
State taxes, net of Federal income tax benefit	2,213	2,564	2,089
Foreign exchange (gains) and losses	—	4,274	(844)
Investment tax credit	(3,756)	(1,873)	(2,083)
Other items	120	(305)	379
	$47,357	$67,686	$48,135

The consolidated financial statements do not reflect significant contingent tax benefits associated with certain tax credits arising out of Whittaker's operations, since realization of such benefits is uncertain. If and to the extent such uncertainties are resolved in Whittaker's favor, the benefits will be reflected in the consolidated financial statements at the time of resolution.

NOTE 7. Pension and Retirement Plans

The majority of Whittaker's domestic employees are covered by one or more of its several pension and retirement plans. Whittaker bears a substantial portion of the costs of these various plans and funds the pension costs accrued in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). The costs under these plans amounted to approximately $8,921,000 in 1982, $8,915,000 in 1981 and $8,450,000 in 1980. A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans as of the respective valuation dates is presented below:

	Janu	
	1982	
	(In thousand	
Actuarial present value of accumulated plan benefits:		
Vested	$42,900	$3
Nonvested	4,500	
	$47,400	$4
Net assets available for benefits	$45,900	$3

The weighted average assumed rate of return used i determining the actuarial present value of accumula plan benefits was 8 percent.

NOTE 8. Leased Assets and Lease Commitments

Whittaker has numerous leases covering real property and equipment.

Property, Plant and Equipment includes the following amounts for leases that have been capitalized:

	October 31	
	1982	1981
	(In thousands)	
Land and land improvements	$ 499	$ 528
Buildings and improvements	10,759	11,202
Equipment	7,057	7,898
	18,315	19,628
Less accumulated amortization	7,021	6,359
	$11,294	$13,269

The amortization of these assets is included in depreciation expense.

Future minimum payments under capital leases and under noncancellable operating leases, net of rentals to be received from existing noncancellable operating subleases, as of October 31, 1982, were as follows:

	Capital Leases	Ope I
	(In thousands	
Fiscal years ending October 31—		
1983	$ 3,553	$
1984	3,636	
1985	4,102	
1986	3,038	
1987	2,335	
1988 and subsequent	11,588	
Total	28,252	$3
Amounts representing interest	9,384	
Present value of net minimum lease payments	$18,868	

Rental expense for operating leases, net of rental income from subleases, was as follows (in thousand Fiscal years ended October 31—

1982	$1
1981	$1
1980	$1

NOTE 9. Commitments and Contingencies

There are various claims and suits pending against Whittaker. Based on an evaluation which included consultation with counsel concerning the legal and factual issues involved, management is of the opinion that such claims and suits will not have a material adverse effect on Whittaker's financial position.

Whittaker has discounted certain receivables and guaranteed certain financing agreements. In connection therewith, Whittaker was contingently liable fo approximately $8,000,000 at October 31, 1982.

NOTE 10. Business Acquisition

On March 31, 1980, Whittaker purchased for approximately $30 million in cash and assumption of liabilities the operating assets of General Medical Corporation, a domestic distributor of medical, surgical and laboratory products to the healthcare industry. In addition, Whittaker advanced General Medical approximately $10 million, on a non-recourse basis, against its claim for tax refunds. The results of operations of General Medical are included in the consolidated results operations since the date of acquisition. Had Genera Medical been acquired by Whittaker prior to the beg ning of fiscal 1980, the pro-forma combined sales for 1980 would have been approximately $1,513 million. Net income, after reflecting appropriate adjustments would not have been materially different than as reported.

NOTE 11. Business Segments

A summary of information about Whittaker's operations by business segment and geographic area at October 31, 1982, 1981 and 1980 and for the fiscal years then ended follows:

Financial Data by Business Segment (in millions of dollars)—

	Sales	Operating Profit	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
1982					
Life Sciences	$ 917.0	$ 87.4	$237.8	$ 5.5	$14.4
Metals	267.3	9.0	228.9	6.3	29.1
Technology	268.1	22.3	172.4	3.9	7.9
Marine	131.5	6.3	83.9	2.8	3.7
Chemicals	89.7	5.6	52.8	2.6	3.1
Corporate	—	—	143.9	.7	1.3
Consolidated	$1,673.6	$130.6	$919.7	$21.8	$59.5
1981					
Life Sciences	$ 744.0	$ 65.5	$211.3	$ 4.4	$ 8.8
Metals	394.7	51.5	221.3	5.1	13.5
Technology	270.2	19.6	182.7	4.4	5.4
Marine	147.1	16.3	94.0	2.7	5.2
Chemicals	115.8	11.2	65.5	2.7	5.4
Corporate	—	—	92.3	.6	.9
Consolidated	$1,671.8	$164.1	$867.1	$19.9	$39.2
1980					
Life Sciences	$ 478.0	$ 46.7	$165.4	$ 3.1	$ 9.4
Metals	376.0	35.6	177.5	4.5	12.2
Technology	284.7	34.9	202.0	4.1	5.6
Marine	136.7	12.6	74.6	2.1	4.7
Chemicals	120.8	2.3	75.4	2.8	5.1
Corporate	—	—	89.6	.6	.1
Consolidated	$1,396.2	$132.1	$784.5	$17.2	$37.1

Sales of medical, surgical and laboratory products to the healthcare industry, included in the Life Sciences segment, were $410.9 million in 1982, $372.8 million in 1981 and $189.0 in 1980. Sales of hydraulic devices, included in the Technology segment, were $162.2 million in 1982, $172.7 million in 1981 and $191.1 million in 1980.

Sales to agencies of the Government of Saudi Arabia, made under various contracts and included in the Life Sciences segment, amounted to $378.8 million in 1982, $278.1 million in 1981 and $213.0 million in 1980. The Saudi Arabian health care program, which presently extends through August 1983, represents a significant element of Whittaker's life sciences business, and its loss would have a material adverse effect on the Company.

Financial Data by Geographic Area (in millions of dollars)—

	Sales	Operating Profit	Identifiable Assets
1982			
United States	$1,055.4	$ 10.5	$605.9
Western Europe	171.6	14.4	117.2
Middle East	446.6	105.7	52.7
Corporate	—	—	143.9
Consolidated	$1,673.6	$130.6	$919.7
1981			
United States	$1,154.2	$ 70.6	$607.8
Western Europe	183.9	13.0	131.1
Middle East	333.7	80.5	35.9
Corporate	—	—	92.3
Consolidated	$1,671.8	$164.1	$867.1
1980			
United States	$ 941.9	$ 56.9	$520.0
Western Europe	198.1	26.1	152.0
Middle East	256.2	49.1	22.9
Corporate	—	—	89.6
Consolidated	$1,396.2	$132.1	$784.5

Approximately 40% of Whittaker's 1982 sales are to customers outside of the United States. Approximately 90% of those sales are accounted for by foreign operations. Such operations are subject to certain influences not normally experienced in domestic operations, such as currency fluctuations, currency control regulations and the effect of international relations.

Following is a reconciliation of operating profit to income before provision for taxes (in millions of dollars):

	1982	1981	1980
Operating profit	$130.6	$164.1	$132.1
Unallocated corporate items	(13.9)	(14.2)	(12.7)
Interest expense, net	(10.7)	(12.9)	(13.8)
Income before provision for taxes	$106.0	$137.0	$105.6

Operating profit of an industry segment represents its revenues minus all operating expenses. None of the following, if present, is taken into account in computing the operating profit or loss of an industry segment: revenue earned at the corporate level; general corporate taxes; equity in income or loss from unconsolidated subsidiaries and other unconsolidated investees; gain or loss on discontinued operations; extraordinary items; and the cumulative effect of a change in accounting principles. In 1982, operating profits have been reduced by minority interests relating to segments and geographic areas. Prior year operating profits have been restated to conform to the current year presentation.

Foreign currency exchange rate fluctuations reduced the Technology and Marine segments operating profits during 1981 by $6.6 million and $1.6 million, respectively, and increased the Technology segment operating profits during 1980 by $1.9 million. Operating profits of the Western Europe geographic area were reduced by $8.2 million in 1981 and increased by $1.9 million in 1980. As a result of Whittaker's 1982 adoption of Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation," adjustments relating to foreign currency exchange rate fluctuations did not impact operating profit in 1982. See Note 5.

NOTE 12. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data (in millions of dollars except for per share amounts) for 1982 and 1981 follows:

1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Ye
Sales	$404.4	$427.9	$421.6	$419.7	$1,673
Cost of sales	308.6	324.5	327.6	337.5	1,298
Net income	18.2	18.0	14.5	8.0	58
Earnings per share	$ 1.14	$ 1.12	$ .93	$ .58	$ 3.
1981					
Sales	$382.2	$443.0	$433.9	$412.7	$1,671
Cost of sales	300.5	348.0	341.5	315.7	1,305
Net income	14.7	18.6	16.9	19.1	69
Earnings per share	$ .95	$ 1.19	$ 1.05	$ 1.21	$ 4.

If the change in method of accounting for foreign currency translation adopted in 1982 (see Note 5) had been adopted in 1981, quarterly net income for that year would have increased as follows: first quarter, $.5 million ($.03 per share); second quarter, $3.2 million ($.21 per share); third quarter, $3.8 million ($.24 per share); and fourth quarter, $1.2 million ($.08 per share).

NOTE 13. Supplemental Information on the Effects of Changing Prices (Unaudited)

INTRODUCTION

The following supplementary information is presented in accordance with the requirements of the Financial Accounting Standards Board Statement No. 33 "Financial Reporting and Changing Prices" and its amendment Statement No. 70 "Financial Reporting and Changing Prices: Foreign Currency Translation." The disclosures are intended to provide information concerning the effects of inflation on certain elements of financial statements utilizing the current cost method of measurement. Information concerning the effects of inflation utilizing the constant dollar method of measurement is not required (pursuant to Statement No. 70) since a significant portion of Whittaker's operations are measured in foreign currencies.

Current cost data addresses the effect of specific price changes related to the individual assets used by the Company. This method involves assumptions, approximations and estimates, and therefore the results obtained by applying this method should not be taken as any precise measure of the effect of inflation.

The information presented does not reflect a comprehensive application of inflation accounting. Statement No. 33 focuses on those items most affected by changing prices, namely: (1) the effect of specific price changes on inventories and properties and related cos of sales and depreciation expense, and (2) the effect of general inflation on monetary assets and liabilities.

INCOME STATEMENT

The accompanying supplemental information present income and expense data under the following two measurement methods:

a) As Reported in the Primary Financial Statements— These amounts are those reported in the primary financial statements on the historical cost basis of accounting in accordance with generally accepted a counting principles.

b) Adjusted for Changes in Specific Prices (Current Costs)—The current cost method adjusts historica financial data to reflect the changes in specific pric of resources used in the Company's operations. Cu rent costs of Property, Plant and Equipment were d termined by applying appropriate published indice to historical costs. Current cost of depreciation wa calculated on a straight-line basis using the same e timated useful lives as utilized in the primary financial statements.

The current costs of inventory and cost of sales (exclusive of depreciation) were calculated utilizing various methods, including the updating of standard costs to reflect current costs and the application to historical costs of internally constructed indices based upon price movements of representative elements of inventory and cost of sales.

All amounts related to inventories and property, plant and equipment of foreign subsidiaries were translated into dollars at exchange rates in effect at year-end; amounts related to cost of sales and depreciation expense were translated into dollars using annual average exchange rates.

The current cost amounts reported are the results of the estimating procedures described above, are by their nature imprecise and are not necessarily indicative of either the amounts for which the assets could be sold or management's intention to replace such assets. Current costs are not necessarily indicative of costs which would actually be incurred if existing assets were in fact replaced, since total replacement in kind would be unlikely. Moreover, the calculations do not reflect the economic benefit which would be realized by replacing existing assets with technologically superior assets.

Adjustments to the current cost information to reflect the effects of general inflation for both domestic and foreign operations are based upon the United States Consumer Price Index—Urban (CPI-U).

In compliance with Statement No. 33, net income, as restated for the effect of inflation, does not reflect any adjustment for reduced income taxes resulting from the increase in cost of sales and depreciation expense.

PURCHASING POWER GAIN FROM HOLDING NET MONETARY LIABILITIES

During periods of inflation, the holding of monetary assets such as cash and receivables results in a loss of general purchasing power. Likewise, monetary liabilities such as payables and debt generate a gain in general purchasing power because the settlement of such liabilities will be with dollars of diminished purchasing power. During the current year Whittaker was in a net monetary liability position and, as a result, experienced a purchasing power holding gain.

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES YEAR ENDED OCTOBER 31, 1982

(In millions of dollars, except per share data)

Net income, as reported in primary financial statements		$ 58.7
Adjustments to restate costs for the effect of changes in specific prices (current costs)—		
Cost of sales	$8.1	
Depreciation	7.5	15.6
Net income adjusted for changes in specific prices		$ 43.1
Net income per share—primary		
As reported in primary financial statements		$ 3.77
Adjusted for changes in specific prices		$ 2.76

OTHER INFORMATION

Purchasing power gain from holding net monetary liabilities during the year	$ 3.3
Increase in specific prices (current cost) of inventory and property, plant and equipment held during the year*	$ 20.8
Effect of increase in general price level	$ 28.0
Excess of increase in general price level over increase in specific prices	$ 7.2
Net assets at year-end	
As reported in primary financial statements	$335.1
Adjusted for changes in specific prices	$416.9
Aggregate translation adjustment	$ 17.5
Depreciation expense	
As included in primary financial statements	$ 19.9
Adjusted for changes in specific prices	$ 27.4

*At October 31, 1982 current cost of inventory was $282.8 million and current cost of property, plant and equipment, net of accumulated depreciation was $268.3 million.

FIVE YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR THE EFFECTS OF CHANGING PRICES

All amounts in the five year comparison are stated in terms of average (constant) 1982 dollars as measured by the CPI-U. Accordingly, the data reported for prior years have been adjusted upward by a factor representing subsequent general inflation. Certain data relating to years prior to 1980 have been omitted pursuant to the provisions of Statement No. 33. The aggregate translation adjustment is not reported for years prior to 1982 pursuant to the provisions of Statement No. 70.

(In millions of dollars, except per share data)

Years Ended October 31,	1982	1981	1980	1979	197
Sales	$1,673.6	$1,788.3	$1,656.3	$1,447.1	$1,317.
Current Cost Data					
Net income	43.1	64.7	42.1	—	—
Net income per share	2.76	4.11	2.83	—	—
Excess of increase in general price level over increase in specific prices of inventory and property, plant and equipment	7.2	48.9	28.8	—	—
Net assets at year-end	416.9	468.2	452.3	—	—
Aggregate translation adjustment	17.5	—	—	—	—
Purchasing power gain from holding net monetary liabilities during the year	3.3	7.5	11.1	—	—
Dividends per common share	1.60	1.50	1.19	.58	.3
Market price per common share at fiscal year-end	24.38	41.04	34.09	19.41	15.5
Average consumer price index	287.1	268.4	242.0	213.1	192.

Whittaker Corporation & Consolidated Subsidiaries

AUDITOR'S REPORT

To the Shareholders and Board of Directors
Whittaker Corporation

We have examined the consolidated balance sheets of Whittaker Corporation and consolidated subsidiaries as of October 31, 1982 and 1981, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Whittaker Corporation and consolidated subsidiaries for the year ended October 31, 1980 were examined by other auditors whose report dated December 19, 1980, expressed an unqualified opinion on those statements.

In our opinion, the 1982 and 1981 consolidated financial statements referred to above present fairly the consolidated financial position of Whittaker Corporation and consolidated subsidiaries at October 31, 1982 and 1981, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis and on a basis consistent with that of the year ended October 31, 1980 except for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 5 to the consolidated financial statements.

Ernst & Whinney

Los Angeles, California
December 17, 1982

DIRECTORY OF PRODUCTS AND SERVICES

WORLD HEADQUARTERS

Whittaker Corporation
10880 Wilshire Boulevard
Los Angeles, CA 90024
Phone: (213) 475-9411
Telex: 674891

LIFE SCIENCES

M. A. BioProducts
Building 100
Biggs Ford Road
Walkersville, MD 21793
Phone: (301) 898-7025
Telex: 893446
Principal Products: Clinical diagnostic test kits; nutrient media and sera; tissue cultures; viral diagnostic reagents.

Microbiological Associates
5221 River Road
Bethesda, MD 20816
Phone: (301) 654-3400
Principal Services: Contract biomedical research and testing.

ToxiGenics
1800 East Pershing Road
Decatur, IL 62526
Phone: (217) 875-3930
Telex: 250139
Principal Services: Toxicological testing; product efficacy studies.

Whittaker General Medical
P.O. Box 27452
Richmond, VA 23261
Phone: (804) 264-7500
TWX: 710-956-0117
Principal Products and Services: Comprehensive line of supplies and equipment for medical, surgical and clinical laboratory use; hospital materials management systems and services.

International Life Sciences
1777 North Kent Street
Arlington, VA 22209
Phone: (703) 276-3500
Int'l Telex: 440134
Domestic Telex: 901918
Principal Services: Development and implementation of comprehensive healthcare programs; hospital management services.

Whittaker Medical International
5711 Staples Mill Road
Richmond, VA 23228
Phone: (804) 264-2962
Telex: 827316 LIFE SCI RCH
Principal Services: Equipment and supplies procurement for healthcare facilities internationally.

Whittaker Medicus, Inc.
990 Grove Street
Evanston, IL 60201
Phone: (312) 866-1500
Telex: 206068
Principal Products and Services: Spectra computerized financial, hospital, and medical information systems for healthcare institutions; management consulting, financial planning, materials management, and data processing services for healthcare institutions.

METALS

Berwick Forge & Fabricating Division
P.O. Box 188
Berwick, PA 18603
Phone: (717) 752-2784
TWX: 510-655-6420
Principal Products: Railroad freight cars and forgings.

Fort Worth Pipe Company
P.O. Box 2108
Fort Worth, TX 76113
Phone: (817) 921-6261
Telex: 758224
Principal Products: Oil country tubular goods and oil field supplies; pipe and fittings for industrial use.

Juster Steel Division
625 Xenium Lane North
Minneapolis, MN 55441
Phone: (612) 544-7100
Principal Products: Extensive line of ferrous and non-ferrous metals.

Technibilt Division
One West Alameda Avenue
Burbank, CA 91502
Phone: (213) 849-3171
Principal Products: Shopping carts; fabricated wire products.

Whittaker Metals, Inc.
P.O. Box 40812
Houston, TX 77040
Phone: (713) 869-8661
TWX: 910-881-2730
Principal Products: Steel rod, bar and tubing; stainless steel; oil tool steel.

Whittaker Steel Strip Division
20001 Sherwood Avenue
Detroit, MI 48234
Phone: (313) 893-5000
Telex: 230409
Principal Products: Cold rolled strip and spring steel; hot rolled and cold rolled sheet coil; steel plate, bars and shapes.

Winters Industries
4125 Mahoning Road, N.E.
Canton, OH 44705
Phone: (216) 456-4321
Principal Products: Aluminum sand and permanent mold castings; finish-machining.

TECHNOLOGY

Acrodyne Industries
516 Township Line Road
Blue Bell, PA 19422
Phone: (215) 542-7000
Telex: 846358
Principal Products: Low-power television transmitters and translators.

Agri-Systems
760 East Las Posas Road, Suite B1
Camarillo, CA 93010
Phone: (805) 484-7996
Principal Products: Hydroponic farming systems.

Bennes Marrel S.A.
Zone Industrielle
42160-Andrézieux-Bouthéon, France
Phone: (77) 36 55 50
In the U.S.: (201) 842-9346
Telex: 330657, 330806
Principal Products: Truck tipping bodies and packing units; bulk handling equipment; solid waste handling and compacting systems; airport service and maintenance equipment; hydraulic power and control systems; power steering and power transmission equipment.

Bermite
22116 West Soledad Canyon Road
Saugus, CA 91350
Phone: (805) 259-2241
TWX: 910-336-1117
Principal Products: Electrochemical devices and propulsion systems; flares; igniters; initiators; fuses; pyrotechnic devices.

Electronic Resources
100 East Tujunga Street
Burbank, CA 91502
Phone: (213) 843-5770
Principal Products: High temperature coaxial cables; electronic components and subsystems; mechanical and electonic counters.

Falcon Research
109 Inverness Drive East
Englewood, CO 80112
Phone: (303) 771-0818
Principal Products and Services: Research and development; computer simulation studies; high-speed photography.

DIRECTORY OF PRODUCTS AND SERVICES

Tasker Systems Division
20131 Sunburst Street
Chatsworth, CA 91311
Phone: (213) 341-3010
Telex: 651329
Principal Products: Tactical radar jammers; electronic components and subsystems; air traffic control systems; antenna tracking devices; radar simulators; radar tracking devices.

Whittaker Controls
12838 Saticoy Street
North Hollywood, CA 91605
Phone: (213) 765-8160
TWX: 910-499-2659
Principal Products: Valves, actuators and pumps for aircraft hydraulic, pneumatic and fuel systems; electronic proximity switches.

Yardney Electric Corporation
82 Mechanic Street
Pawcatuck, CT 06379
Phone: (203) 599-1100
TWX: 710-470-0260
Principal Products: High-energy-density batteries; high-intensity portable lights; battery chargers and control systems; marine emergency beacons; irrigation system filters.

MARINE

Bertram Yacht Division
3663 N.W. 21st Street
Miami, FL 33142
Phone: (305) 633-8011
Telex: 519268
Principal Products: Motor yachts; sport fishermen; patrol and crew boats.

Cantieri Riva, S.p.A.
24067 Sarnico (Bergamo)
Italy
Phone: (035) 910-202
Telex: Rivaboat 300183
Principal Products: Power boats; motor yachts.

Desco Marine Division
P.O. Box 1480
St. Augustine, FL 32084
Phone: (904) 824-4461
Telex: 568451
Principal Products: Commercial fishing trawlers.

Kettenburg Marine Division
2810 Carleton Street
San Diego, CA 92106
Phone: (619) 224-8211
Telex: 697989
Principal Products and Services: Marine and industrial supplies; custom boatbuilding and repair; marine research and development.

Survival Systems Division
5159 Baltimore Drive
La Mesa, CA 92041
Phone: (619) 469-0171
Telex: 695440
TWX: 910-322-1341
Principal Products: Marine survival systems; reinforced and laminated plastic structures.

Trojan Yacht Division
P.O. Box 3571
Lancaster, PA 17603
Phone: (717) 397-2471
Telex: 848427
Principal Products: Motor cruisers; motor yachts; sport fishermen.

CHEMICALS

Batavia Coatings Division
1500 Lathem Street
Batavia, IL 60510
Phone: (312) 879-6800
TWX: 910-236-0948
Principal Products: Coil coatings; beverage can coatings; wood finishes; container linings; automotive/appliance finishes; plastisols; industrial and custom coatings.

Bauer Coatings Division
1021 North Mission Road
Los Angeles, CA 90033
Phone: (213) 225-4154
Principal Products: Highway striping enamels.

Colton Coatings Division
P.O. Box 825
Colton, CA 92324
Phone: (714) 825-6292
Principal Products: Coil coatings; beverage can coatings; wood finishes; automotive/appliance finishes; container linings; plastisols; industrial and custom coatings.

Dayton Chemicals Division
P.O. Box 27
West Alexandria, OH 45381
Phone: (513) 839-4612
TWX: 810-450-2611
Principal Products: Rubber-to-metal bonding agents; polyurethane molded products; custom mixing and coating.

Decatur Coatings Division
Decatur Industrial Park
P.O. Box 2238
Decatur, AL 35602
Phone: (205) 355-5440
Principal Products: Coil coatings; beverage can coatings; automotive/appliance finishes; plastisols; industrial and custom coatings.

Duall Plastics Division
764 South Athol Road
Athol, MA 01331
Phone: (617) 249-2371
Principal Products: Plastic extrusions.

Haynes Coatings Division
Massachusetts Industrial Park
Chicopee, MA 01020
Phone: (413) 592-4191
Telex: 955340
Principal Products: General industrial and specialty coatings.

Heico Division
Delaware Water Gap, PA 18327
Phone: (717) 476-0353
Principal Products: High-purity chemical intermediates; photographic chemicals.

North Brunswick Coatings & Chemicals Division
1430 Jersey Avenue
New Brunswick, NJ 08902
Phone: (201) 545-9601
Principal Products: Coil coatings; beverage can coatings; plastisols; industrial and custom coatings; container end-sealing compounds.

Providence Chemicals
King Philip Road
East Providence, RI 02914
Phone: (401) 434-1770
Telex: 927652
Principal Products: Industrial and packaging plastisols; customer-formulated urethane products; synthetic flooring materials.

Ram Chemicals Division
P.O. Box 192
Gardena, CA 90248
Phone: (213) 321-0710
Principal Products: Pigment dispersions; mold release agents; polyester resins; specialty coatings; peroxide catalysts; fiberglass reinforcements; RTV mold-making compounds.

Whittaker Coatings Research Center
1231 South Lincoln Street
Colton, CA 92324
Phone: (714) 825-6292
Principal Products: Chemical coatings development.

Wind Specialty Division
7 Sylvan Street
Brockton, MA 02402
Phone: (617) 586-1281
Principal Products: Plastic extrusions.

Wooster Coatings Division
P.O. Box 382
Wooster, OH 44691
Phone: (216) 262-3075
Principal Products: Coil coatings.

ADOLPH COORS COMPANY
ESTABLISHED 1873
GOLDEN, COLORADO, 80401

file

ROBERT C. WALKER
Vice President, National Affairs
(202) 547-2050

PLEASE REPLY TO:
Adolph Coors Company
214 Massachusetts Ave., N.E.
Suite 530
Washington, D.C. 20002

February 14, 1984

PERSONAL AND ~~CONFIDENTIAL~~

Mr. Michael K. Deaver
Assistant to the President
and Deputy Chief of Staff
The White House
Washington, DC 20500

Dear Mike:

Please come to the realization that Joe and you would make an excellent team because of your respective talents and alliances. You are a true moderate while he is a philosophic and leadership conservative; you are an expert at managing the President while Joe is an expert at managing large enterprises and thousands of people; you are relatively young with the special understanding of your generation while Joe is a "senior" now with the wisdom gained from a lifetime of involvement in business, social, and political affairs; both of you love Ronald Reagan and Nancy and have since the 60's. If put together in the same harness you would pull together, I am certain, in their best interest. Contrary to some stories, you and Joe would get along. There would not be in-fighting and contention, because you would respect each other for his dedication to the President and Nancy and their well being.

Michael, it is in your personal interest to have a well known conservative as an ombudsman, among other functions. These three years Joe has actively put down conservatives who have disagreed publicly with the President. He is the one major leader who has stuck with you on all issues. Joe is on the side of the President; always has been, always will be. You need someone like him; but there is no one who could fulfill the role as well, vis a vis conservatives, than Joe.

Don't put Joe down too definitely, Mike. Open your mind enough to at least initiate a meeting with him on the subject.

It is in no one's good interest for the whole conservative constituency to be raising hell all year long about being shut out of the White House.

Best personal regards,

Very truly yours,

Robert

Robert C. Walker

RCW/nwc