Offer to Purchase for Cash
13,857,986 Shares of Common Stock
(including the associated Common Stock Purchase Rights)
at
$44 Net Per Share
and
2,699,550 Shares of
$2.125 Convertible Exchangeable Preferred Stock
at
$34.11 Net Per Convertible Preferred Share
of
CNW Corporation
by
CNWT Acquisition Corp.
a corporation formed by
Japonica Partners

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (i) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES (TOGETHER WITH THE COMMON SHARES OWNED BY THE PURCHASER AND ITS AFFILIATES), AND CONVERTIBLE PREFERRED SHARES WHICH WOULD REPRESENT, IN EACH CASE, 90% OF THE TOTAL NUMBER OF THE THEN OUTSTANDING COMMON SHARES (ON A FULLY DILUTED BASIS, EXCLUDING COMMON SHARES ISSUABLE UPON CONVERSION OF CONVERTIBLE PREFERRED SHARES PURCHASED HEREUNDER) AND CONVERTIBLE PREFERRED SHARES OF THE COMPANY; OR THE PURCHASER AND THE COMPANY HAVING ENTERED INTO A MERGER AGREEMENT IN A FORM SATISFACTORY TO THE PURCHASER, (ii) THE COMMON STOCK PURCHASE RIGHTS BEING REDEEMED BY THE COMPANY'S BOARD OF DIRECTORS OR INVALIDATED BY A COURT OF COMPETENT JURISDICTION OR THE PURCHASER OTHERWISE BEING SATISFIED THAT THE RIGHTS ARE NULL AND VOID, (iii) THE PURCHASER BEING SATISFIED THAT THE PROVISIONS OF SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW ARE INAPPLICABLE TO THE PROPOSED MERGER BETWEEN THE COMPANY AND THE PURCHASER (AS A RESULT OF ACTION BY THE COMPANY'S BOARD OF DIRECTORS, THE ACQUISITION OF A SUFFICIENT NUMBER OF SHARES OR OTHERWISE), AND (iv) THE PURCHASER OBTAINING SUFFICIENT FINANCING PURSUANT TO THE COMMITMENT LETTER AND HIGHLY CONFIDENT LETTER DESCRIBED HEREIN TO ENABLE IT TO PURCHASE THE SHARES BEING SOUGHT IN THE OFFER AND TO PAY RELATED FEES AND EXPENSES. THE OFFER IS ALSO SUBJECT TO OTHER TERMS AND CONDITIONS. SEE SECTION 17.

THE OFFER, WITHDRAWAL RIGHTS AND PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JUNE 13, 1989, UNLESS EXTENDED.

IMPORTANT

Any shareholder desiring to accept the Offer should either (1) complete and sign the BLUE Letter of Transmittal for Common Shares, and the YELLOW Letter of Transmittal for Convertible Preferred, which may include the Supplemental Letter of Transmittal or a facsimile copy thereof, in accordance with the instructions in the Letters of Transmittal, mail or deliver it with any other required documents to the Depositary and either deliver the certificates for such Shares, and certificates for associated Rights, if separate, to the Depositary along with the appropriate Letter of Transmittal or deliver such securities pursuant to the procedures for book-entry transfer set forth in Section 3 hereof (in the case of Rights, only if such procedures are available) or (2) request his broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him. Holders having Shares and Rights registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender such Shares and Rights.

Unless the Rights are redeemed or invalidated, shareholders are required to tender one Right for each Common Share tendered to effect a valid tender of Common Shares. Any shareholder who desires to accept the Offer and whose certificates for such Shares and Rights are not immediately available (including certificates for Rights because such certificates have not yet been distributed by the Company) may tender such Shares and Rights by following the procedure for guaranteed delivery set forth in Section 3 hereof.

Questions and requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letters of Transmittal, the Letter of Transmittal Supplement and the Notice of Guaranteed Delivery may be directed to the Dealer Manager or the Information Agent or to brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:

Drexel Burnham Lambert
INCORPORATED

May 16, 1989

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To the Holders of Shares of
CNW CORPORATION:

INTRODUCTION

CNWT Acquisition Corp., a Delaware corporation (the "Purchaser") and a wholly owned subsidiary of CNWT Holding Corp., a Delaware corporation ("Parent") and a corporation formed by Japonica Partners, L.P., a Rhode Island limited partnership ("Japonica Partners"), hereby offers to purchase 13,857,986 shares of Common Stock, par value $1.00 per share (the "Common Shares"), and 2,699,550 shares of $2.125 Convertible Exchangeable Preferred Stock, par value $1.00 per share (the "Convertible Preferred" which, together with the Common Shares, are sometimes referred to herein as the "Shares"), of CNW Corporation, a Delaware corporation (the "Company"), including, in the case of the Common Shares (unless the Rights Condition defined below is satisfied), the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement dated as of October 31, 1988, between the Company and The First National Bank of Chicago, as Rights Agent (the "Rights Agreement"), at a price of $44.00 per Common Share and $34.11 per Convertible Preferred share, in each case net to the seller in cash and without interest, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letters of Transmittal and Letter of Transmittal Supplement (which together constitute the "Offer"). The Purchaser, Parent and Japonica Partners are sometimes collectively referred to herein as the "Acquirors." All references herein to Rights shall include all benefits which may inure to shareholders of the Company pursuant to the Rights Agreement, and, unless the context requires otherwise, all references herein to Shares or Common Shares include the Rights. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as provided in Instruction 6 of the Letters of Transmittal, any transfer taxes with respect to the purchase of Shares pursuant to the Offer. The Purchaser will pay all charges and expenses of Drexel Burnham Lambert Incorporated ("Drexel"), as the Dealer Manager (the "Dealer Manager"), Bankers Trust Company, as the Depositary (the "Depositary"), and Morrow & Co., Inc., as the Information Agent (the "Information Agent"), incurred in connection with the Offer. See Section 19.

The number of shares of Convertible Preferred to be purchased hereunder shall be reduced to reflect conversions thereof so that an amount equal to 90% of the number of outstanding shares of Convertible Preferred on the date of consummation of the Offer shall be purchased, in which case the number of Common Shares to be purchased hereunder shall be increased so that an amount equal to 90% of the number of outstanding Common Shares on the date of consummation of the Offer (on a fully diluted basis, excluding Common Shares issuable upon conversion of Convertible Preferred shares purchased hereunder) shall be purchased.

Parent and the Purchaser were recently formed by Japonica Partners for the purpose of acquiring the entire equity interest in the Company. The general partners of Japonica Partners are P.B. Kazarian, ltd., a Rhode Island corporation ("PBK Ltd."), and M.G. Lederman, Ltd., a Delaware corporation ("MGL Ltd."). Japonica Partners is the sole general partner of each of the Partnerships (as defined in Section 10). Paul B. Kazarian is the President, sole director and controlling person of PBK Ltd. Michael G. Lederman is the Chairman of the Board, director and controlling person of MGL Ltd. PBK Ltd. has the sole power to vote and dispose of the Shares beneficially owned by Japonica Partners and is the controlling person of Japonica Partners, the Parent and the Purchaser. For information concerning the Purchaser, Parent, Japonica Partners and the Partnerships and their respective affiliates, see Section 10 and Schedules I and II.

Proxy Solicitation

In addition to commencing this Offer, Japonica Partners is soliciting proxies from shareholders of the Company to elect to the Board of Directors of the Company the seven nominees of Japonica Partners (the "Nominees") listed on Schedule II to this Offer to Purchase, and to vote on certain other matters at the Company's Annual Meeting of Shareholders to be held on May 16, 1989 (the "Annual

Meeting"). Japonica Partners' proxy statement in opposition to the Board of Directors of the Company (the "Proxy Statement") was mailed on April 19, 1989.

The Nominees are committed to having the Company seek to effect a merger, tender offer or similar transaction. If elected, the Nominees will, among other things, cause a special committee composed of three of the Nominees not otherwise affiliated with the Acquirors to be constituted, which will retain an independent financial advisor, to review both the Offer and the Merger (as defined below), as well as any other bona fide acquisition proposals. If no offer is received which, in the judgment of the Nominees, in the exercise of their fiduciary duties, is more favorable to the Company's shareholders than the Offer and the Merger, the Nominees intend to recommend acceptance of the Offer and the Merger and to facilitate consummation of the Offer and the Merger by appropriate means, including by entering into a merger agreement with the Purchaser. If the conditions to the Offer are satisfied (See Section 17) prior to the announcement of the results of the election of directors at the Annual Meeting, the Purchaser intends to accept the Shares for payment.

Merger and Plans

The Acquirors intend to seek to acquire the entire equity interest in the Company. The purpose of the Offer is to purchase for cash 13,857,986 Common Shares and 2,699,550 shares of Convertible Preferred as a step toward the acquisition of such entire equity interest. The Purchaser intends to seek to have the Company consummate a merger or similar business combination (the "Merger") with the Purchaser as soon as practicable following consummation of the Offer, pursuant to which the Company will be the surviving corporation (the "Surviving Corporation") and the then outstanding Shares (other than Shares owned by the Purchaser or any of its affiliates and Shares held in the treasury of the Company (the "Treasury Shares"), which Shares will be cancelled, and other than Shares owned by shareholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive shares of preferred stock, par value $.01 per share, of one of the corporate Acquirors (the "Preferred Stock"). It is anticipated that the shares of Preferred Stock to be issued in the Merger will have a market value which will equal (on a fully distributed basis) $44.00 per Common Share and $34.11 per share of Convertible Preferred and that dividends on the Preferred Stock will be payable in kind for a period of five years from the date of issuance. The Offer does not constitute an offer to sell, or a solicitation of an offer to buy, the Preferred Stock which may be issued in the Merger. The Preferred Stock would be registered under the Securities Act of 1933, as amended (the "Securities Act"), and would be offered by means of a prospectus (which would also constitute a proxy statement for a special meeting of shareholders to approve the Merger or other business combination or an information statement of the Company) which would be mailed to the Company's shareholders in connection with the Merger. Consummation of the Merger may require, among other things, the approval of the Board of Directors of the Company and of the holders of a majority of the Common Shares. The Acquirors intend to vote the Shares owned by them in favor of the Merger. If the Merger is consummated, holders of Shares would have the right to dissent therefrom and demand appraisal of their Shares under Delaware law. The outcome of the proxy solicitation and certain terms of the Rights may affect the ability of the Acquirors to obtain control of the Company and to consummate the Offer and the Merger. Accordingly, the timing and details of the Merger will depend on a variety of factors and legal requirements, the actions of the Board of Directors of the Company, the number of Shares acquired by the Purchaser pursuant to the Offer and whether the Rights Condition (as hereinafter defined) and the Section 203 Condition (as hereinafter defined) are satisfied or waived. See Sections 12, 14, 16 and 17 and Schedule II.

Upon consummation of the Merger, the Acquirors plan to keep the Company's headquarters in Chicago, Illinois. The Acquirors intend to manage the freight railroad operations of the Company, including Western Railroad Properties, Incorporated, while working cooperatively with the employee unions to maintain and improve operations and service for the Company's customers. The assets the Acquirors are considering selling are only those which are not essential to the Company's freight

business, such as certain real estate, excess equipment and the commuter lines. See Sections 11 and 13.

Certain Conditions

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer a number of Common Shares (together with the Common Shares owned by the Purchaser and its affiliates), and Convertible Preferred shares, which would represent, in each case, 90% of the total number of the then outstanding Common Shares (on a fully diluted basis, excluding Common Shares issuable upon conversion of Convertible Preferred shares purchased hereunder) and Convertible Preferred shares (the "Minimum Condition"); *or* the Purchaser and the Company having entered into a merger agreement in a form satisfactory to the Purchaser, (ii) the Rights being redeemed by the Company's Board of Directors or invalidated by a court of competent jurisdiction or the Purchaser otherwise being satisfied that the Rights are null and void, (iii) the Purchaser being satisfied that the provisions of Section 203 of the Delaware General Corporation Law are inapplicable to the proposed merger between the Company and the Purchaser (as a result of action by the Company's Board of Directors, the acquisition of a sufficient number of Shares or otherwise), and (iv) the Purchaser obtaining sufficient financing pursuant to the Commitment Letter (as defined herein) and the Highly Confident Letter (as defined herein) to enable it to purchase the Shares being sought in the Offer and to pay related fees and expenses. The Offer is also subject to other terms and conditions. See Section 17.

The Minimum Condition. According to the Company's Proxy Statement for the May 16, 1989 Annual Meeting of Shareholders (the "Company Proxy Statement"), at March 28, 1989 there were 16,409,791 Common Shares outstanding (excluding 77,086 Treasury Shares). In addition, based on the Company's 1988 Annual Report to Shareholders (the "1988 Annual Report") as incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (the "1988 Form 10-K"), filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), there were 591,860 Common Shares reserved for issuance upon exercise of outstanding employee stock options. The Acquirors beneficially own 1,442,400 Common Shares (and Mr. Kazarian owns an additional 1,100 Common Shares), representing, based on the foregoing information, approximately 8.8% of the currently outstanding Common Shares, and approximately 8.5% of the Common Shares, assuming the Common Shares reserved for issuance pursuant to the employee stock options referred to in the preceding sentence are issued, in each case excluding Treasury Shares. See Section 10 and Schedule I. Based upon the number of Common Shares outstanding as of March 28, 1989 (excluding the Treasury Shares) plus the number of Common Shares issuable upon the exercise of employee stock options outstanding as of December 31, 1988, the minimum number of Common Shares is equal to 13,857,986 Common Shares. In addition, there are 2,325,212 Common Shares reserved for issuance upon conversion of the shares of Convertible Preferred. Such Common Shares are not included in the minimum number of Common Shares because 90% of the Convertible Preferred is being tendered for separately hereunder.

According to the 1988 Annual Report, there were 2,999,500 shares of Convertible Preferred outstanding at December 31, 1988. Based upon the number of shares of Convertible Preferred outstanding at such date, the minimum number is 2,699,550 Convertible Preferred shares. The minimum number of shares of Convertible Preferred required to satisfy the Minimum Condition shall be based upon the number of outstanding shares of Convertible Preferred on the date of consummation of the Offer. The Acquirors do not beneficially own any Convertible Preferred shares. Holders of shares of Convertible Preferred tendered pursuant to the Offer will receive $34.11 per share. The price offered for the Convertible Preferred is equal to the price which holders of the Convertible Preferred would receive if such shares were converted into Common Shares which were then tendered pursuant to the Offer. Therefore, holders of shares of Convertible Preferred need not convert such shares into Common Shares in order to receive the highest price paid pursuant to the

Offer. No additional consideration will be paid for dividends which accrue on shares of Convertible Preferred tendered in the Offer.

Under the General Corporation Law of the State of Delaware (the "GCL"), unless otherwise provided in the Company's Certificate of Incorporation (the "Certificate"), the Merger would require the approval of the Board of Directors of the Company and the affirmative vote of the holders of at least a majority of the outstanding voting shares of the Company. However, Article 9 of the Certificate contains certain supermajority vote and "fair price" provisions (the "Price Provisions"), which require the affirmative vote of the holders of not less than 80% of the combined voting power of the outstanding stock of the Company entitled to vote generally in the election of directors (the "Voting Stock") to approve, among other things, a merger, consolidation or other business combination of the Company with a shareholder who (together with its affiliates or associates) beneficially owns 20% or more of the then outstanding Voting Stock (a "Related Person") unless (i) the Merger is approved by a majority of the "Continuing Directors" (generally any director who is unaffiliated with the Related Person and was a member of the Board prior to the time that any Related Person involved in the transaction became a Related Person or any successor to a Continuing Director who is unaffiliated with the Related Person and is recommended or elected to succeed a Continuing Director by a majority of Continuing Directors, provided that such recommendation or election shall only be effective if made at a meeting at which six Continuing Directors are present), or (ii) the Merger complies with certain price and procedural requirements, which generally require that the price paid in the Merger be the highest price per Common Share paid by the Related Person during the last two years prior to the first public announcement of a proposed business combination or in a transaction in which such person became a Related Person. Currently, the Voting Stock consists entirely of the outstanding Common Shares. See Section 12. If the Company enters into a merger agreement with the Purchaser or if the Purchaser acquires a number of Common Shares (pursuant to the Offer or otherwise) that, when added to the Common Shares beneficially owned by the Acquirors, represents 80% of the outstanding Common Shares, it would satisfy the supermajority vote provisions contained in the Certificate. In addition, the Nominees may qualify as "Continuing Directors" for the purposes of approving a transaction under Article 9 of the Certificate, provided the Purchaser does not become a Related Person before their election.

If the Purchaser beneficially owns 90% or more of the outstanding Common Shares and 90% or more of outstanding shares of Convertible Preferred after consummation of the Offer, the "short form" merger provisions of the GCL would permit the Merger to occur without the vote of the Company's shareholders and without action by the Company's Board of Directors. If a "short form" merger is available under the GCL and the Section 203 Condition is satisfied, Parent expects to cause the Purchaser or a subsidiary of the Purchaser to consummate a "short form" merger of the Purchaser or such subsidiary with the Company. See Section 12.

The Section 203 Condition. Section 203 of the GCL ("Section 203") regulates certain business combinations involving a Delaware corporation and an Interested Shareholder (as defined in Section 12). If applicable to the Company, Section 203 would prohibit, among other transactions, consummation of a business combination (including the Merger) between the Purchaser and the Company for a period of three years following the date the Purchaser became an Interested Shareholder. Section 203 would appear to be applicable to the Merger if, subject to certain exceptions, the Purchaser becomes an Interested Shareholder pursuant to the Offer or otherwise, unless, among other things, (i) prior to the date that the Purchaser becomes an Interested Shareholder, the Company's Board of Directors approves the Merger or the transaction which resulted in the Purchaser becoming an Interested Shareholder, or (ii) upon consummation of the Offer, the Purchaser owns at least 85% of the Common Shares outstanding at the time the transaction commenced (excluding for purposes of determining the number of Common Shares outstanding, those Common Shares owned by directors who are also officers of the Company and by employee stock plans in which employee participants do not have the right to determine confidentially whether Common Shares held subject to the plan will be tendered in the Offer) (the "85% Condition"); or (iii) following the transaction in which such

person became an Interested Shareholder, the business combination is (x) approved by the Board of Directors of the Company and (y) authorized at a meeting of shareholders by the affirmative vote of the holders of two-thirds of the outstanding Voting Stock not owned by the Interested Shareholder or its affiliates. Based on information derived from publicly filed documents, persons who are directors and also officers of the Company own 205,610 Common Shares. The Purchaser understands that the Company does not have any employee stock plans of the type described in Section 203. The Offer is conditioned on the Section 203 Condition being satisfied. See Sections 12 and 17.

The Section 203 Condition would be satisfied if the Company's Board of Directors enters into a merger agreement with the Purchaser or the 85% Condition is satisfied upon consummation of the Offer. If the Nominees are elected and the Offer is not consummated, they intend to grant Section 203 approval to the Purchaser or to another potential acquiror in order to facilitate a prompt negotiated acquisition of the Company. The Nominees would be unable to grant such approval to the Purchaser if the Purchaser becomes an Interested Shareholder prior to the installation of the Nominees as directors unless approval of the Purchaser's proposed transaction is also granted by at least two-thirds of the Voting Stock of the Company not owned by the Purchaser or its affiliates. The Purchaser does not intend to become an Interested Shareholder prior to the installation of the Nominees unless the Purchaser is granted Section 203 approval by the current Board of Directors or the 85% Condition is satisfied upon consummation of the Offer.

The Rights Condition. On October 31, 1988, the Company's Board of Directors declared a dividend of one Right for each outstanding Common Share. The dividend was paid to holders of record of Common Shares at the close of business on November 11, 1988. Under the Rights Agreement, each Right, when exercisable, entitles the holder to purchase one Common Share at a price of $90 per Common Share subject to adjustment. The Rights will become exercisable on the earlier to occur of (i) the tenth day after a public announcement that a person or group (including any affiliate or associate of such person or group) has acquired, or has obtained the right to acquire, beneficial ownership of 20% or more of the outstanding Common Shares or (ii) the tenth business day after the commencement of, or first public disclosure of the intent to commence, a tender offer or exchange offer for outstanding Common Shares which would result in the offeror becoming the beneficial owner of 20% or more of the outstanding Common Shares. The Rights Agreement permits the Company to amend the terms of the Rights Agreement at any time prior to a person or group becoming an Acquiring Person (as defined in Section 14), including the Distribution Date (as defined in Section 14). Accordingly, unless the Rights Agreement is amended, the Offer will cause the Rights to become exercisable, unless the Company's Board of Directors redeems the Rights or amends the terms thereof or the Rights are invalidated by a court of competent jurisdiction. Upon the occurrence of certain transactions after the Distribution Date, including a merger or other business combination, or a person or group becoming an Acquiring Person, holders of the Rights (other than an Acquiring Person) will be entitled to purchase Common Shares, shares of common stock of the Acquiring Person, or shares of common stock of the acquiring or surviving corporation in such transaction (or of such acquiring or surviving corporation's publicly traded affiliate, if such corporation has no publicly traded stock) at 50% of the market value thereof. Any Rights that are or, under certain circumstances, were, at any time on or after the Distribution Date, held or beneficially owned by an Acquiring Person, or an affiliate or associate of an Acquiring Person, will be null and void and any holder of any such Right will be unable to exercise the Right. The Company is entitled to redeem the Rights at one cent ($.01) per Right at any time until a person or group becomes an Acquiring Person. The Offer is conditioned on satisfaction of the Rights Condition. See Sections 14 and 17. The foregoing information concerning the Rights is derived from the Rights Agreement (and exhibits thereto) filed by the Company with the Commission as an exhibit to the Current Report on Form 8-K (the "Form 8-K") dated November 2, 1988.

On May 4, 1989, Japonica Partners commenced litigation seeking, among other things, to have the Rights declared invalid. See Section 14.

Unless and until the Rights Condition is satisfied, shareholders will be required to tender one Right for each Common Share tendered to effect a valid tender of such Common Share in accordance with the procedure set forth in Section 3 of this Offer to Purchase. The Purchaser believes that under the circumstances of the Offer and under applicable law, the Board of Directors is obligated by its fiduciary duty to redeem the Rights so as to permit shareholders to tender in the Offer.

The Financing Condition. The total amount of funds required to purchase all Shares being sought in the Offer and to pay related fees and expenses is estimated to be approximately $747 million. The Acquirors have obtained a written commitment, dated April 26, 1989, as amended (the "Commitment Letter"), of Bankers Trust Company (the "Bank") pursuant to which the Bank has committed (a) to provide, subject to the satisfaction of certain conditions including the execution and delivery of a definitive credit agreement (the "Credit Agreement") and the successful syndication of the senior debt financing, the lesser of $300 million or 50% of the total senior debt financing that will be necessary to complete the Offer and the Merger, and (b) to use its best efforts to arrange a syndicate of banks to provide the balance of such senior debt financing. The senior debt financing extended to the Acquirors pursuant to the Commitment Letter will include a tender offer facility of up to $425 million plus an amount estimated by the Bank to equal the interest and fees that will accrue during the maximum six-month term of this facility (on the senior debt financing and other indebtedness of the Purchaser on which the Agent (as defined herein) and the Participating Banks (as defined herein) permit cash interest to be paid prior to the Merger), which will be extended to the Purchaser to finance, in part, the Offer and to pay certain related fees and expenses. See Section 8. The Acquirors also have received a letter dated May 12, 1989 (the "Highly Confident Letter") from Drexel advising the Acquirors that Drexel is highly confident that, subject to certain conditions, it can arrange the placement of up to $300 million of subordinated debt securities. In addition, the Partnerships will contribute approximately $22 million of cash through contributions by Japonica Partners, its affiliates or other investors, and available cash on hand of the Partnerships. The Offer is conditioned on the Purchaser obtaining sufficient financing pursuant to the Commitment Letter and the Highly Confident Letter to enable it to purchase the Shares being sought in the Offer and pay related fees and expenses (the "Financing Condition"). See Sections 8 and 17.

The Purchaser expressly reserves the right to waive any one or more of the conditions to the Offer. See Sections 12, 16 and 17.

In the event that the Offer is not consummated, the Purchaser currently intends to explore all options available to it, which may include, without limitation, seeking to acquire additional Shares through open market purchases or privately negotiated transactions, at prices which may be more or less than the price to be paid pursuant to the Offer. The Purchaser also reserves the right to dispose of Shares.

Shareholders are urged to read this Offer to Purchase carefully before deciding whether to tender their Shares.

THE TENDER OFFER

1. Terms of the Offer; Expiration Date; Proration.

Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay for Shares validly tendered prior to the Expiration Date (as defined in the following sentence) and not properly withdrawn in accordance with Section 4. The term "Expiration Date" shall mean 12:00 Midnight, New York City time on Tuesday, June 13, 1989, unless and until the Purchaser, in its sole discretion, shall have extended the period of time during which the Offer is open, in such event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire. See Sections 16 and 17 for a description of the Purchaser's rights to extend the period of time during which the Offer is open and to terminate or amend the Offer.

The Offer is conditioned upon, among other things, the satisfaction of the Minimum Condition (or the entering into of a merger agreement satisfactory to the Purchaser), the Rights Condition, the Section 203 Condition and the Financing Condition. If, by the Expiration Date, any of these conditions shall not have been satisfied, or if any of the other conditions specified in Section 17 shall not have been satisfied, the Purchaser may (i) decline to purchase any of the Shares and Rights tendered and terminate the Offer and return all tendered Shares and Rights to tendering shareholders, (ii) extend the Offer and, subject to the withdrawal rights set forth in Section 4, retain all tendered Shares and Rights until the expiration of the Offer, as extended, subject to the terms of the Offer (including applicable withdrawal rights) or (iii) waive any condition and accept for payment all Shares validly tendered, upon giving sufficient notice to shareholders pursuant to the Offer and in compliance with applicable rules and regulations of the Commission. See Section 8. In a public release, the Commission has stated that in its view an offer must remain open for a minimum period of time following a material change in the terms of the Offer. See Section 16.

13,857,986 Common Shares and 2,699,550 Convertible Preferred shares are being sought in the Offer. If more than such number of Common Shares and/or Convertible Preferred shares (or such greater number of Shares which the Purchaser elects to purchase pursuant to the Offer) are validly tendered by the Expiration Date and not withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, purchase such number of Common Shares and/or Convertible Preferred shares (or, in each case, such greater number of Shares) on a pro rata basis (with appropriate adjustments to avoid purchases of fractional Shares), according to the number of Shares validly tendered by each shareholder at or prior to the Expiration Date and not withdrawn. In the event that proration of tendered Shares is required, because of the difficulty of determining the number of Shares properly tendered and not withdrawn, the Purchaser does not expect that it will be able to announce the final result of such proration until approximately eight New York Stock Exchange, Inc. ("NYSE") trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Holders of Shares may obtain such preliminary information from the Information Agent or Dealer Manager and may be able to obtain such information from their brokers.

The Purchaser has made a request to the Company for the use of lists of the Company's shareholders, lists of nonobjecting beneficial owners of the Shares and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letters of Transmittal and Letter of Transmittal Supplement will be mailed by the Purchaser to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the lists of the Company's shareholders, lists of holders of Rights, or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. Acceptance for Payment and Payment of Purchase Price.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will accept for payment, and will pay for, all Shares and Rights validly tendered prior to the Expiration Date and not properly withdrawn, as promptly as practicable after the Expiration Date.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares and Rights (if separate certificates for the Rights have been distributed), or timely confirmation of book-entry transfer of such Shares and Rights, into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book Entry Transfer Facilities") pursuant to the procedures set forth in Section 3 ("Book Entry Confirmation"), (ii) properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof, together with any required signature guarantees, and (iii) any other required documents (which may include the Letter of Transmittal Supplement).

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment (and thereby purchased) Shares and Rights properly tendered to the Purchaser and not withdrawn if, as and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares and Rights for payment pursuant to the Offer. Payment for Shares and Rights accepted for payment pursuant to the Offer will be made through the Depositary, which will act as agent for the tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payments to tendering shareholders. Under no circumstances will interest be paid on the purchase price regardless of any delay in making such payment.

Payment for Shares may be delayed in the event of proration due to the difficulty of determining the number of Shares properly tendered. If any tendered Shares and Rights are not accepted for payment or paid for pursuant to the terms and subject to the conditions of the Offer for any reason (see Sections 1, 3, 16 and 17) or if certificates submitted represent more Shares than are tendered, certificates for such unpurchased or untendered Shares and Rights will be returned, without expense to the tendering shareholder, or in the case of Shares and Rights tendered by book-entry transfer with a Book Entry Transfer Facility, such Shares and Rights will be credited to an account maintained at such Book Entry Transfer Facility, as promptly as practicable after the expiration, termination or withdrawal of the Offer.

If, on or prior to the Expiration Date, the Purchaser increases the consideration offered to holders of Shares and Rights pursuant to the Offer, such increased consideration will be paid to all holders of Shares and Rights that are accepted for payment pursuant to the Offer.

The Purchaser reserves the right to transfer or assign, in whole or in part, to one or more corporations directly or indirectly controlled by the Parent, the right to purchase Shares and Rights tendered pursuant to the Offer, but no such transfer or assignment will relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering shareholders to receive payment for Shares and Rights validly tendered and accepted for payment pursuant to the Offer.

If the Purchaser is delayed in its acceptance for payment of, or payment for, Shares and Rights, or is unable to accept for payment or pay for Shares and Rights pursuant to the Offer for any reason, then without prejudice to the Purchaser's rights pursuant to the Offer (including without limitation, as set forth in Sections 16 and 17), the Depositary may nevertheless, on behalf of the Purchaser, retain tendered Shares and Rights subject to withdrawal rights as described in Section 4. The Purchaser confirms that its reservation of the right to delay payment for Shares and Rights which it has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act which requires any person making a tender offer to pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of a tender offer.

3. Procedure for Accepting the Offer and Tendering Shares and Rights.

Valid Tender. For Shares and Rights to be validly tendered pursuant to the Offer, properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof, together with any required signature guarantees and any other required documents (which may include the Letter of Transmittal Supplement, which will be required if separate Rights Certificates (as defined below) are issued) must be received by the Depositary at its address set forth on the back cover page of this Offer to Purchase and either (i) certificates for tendered Shares and certificates for tendered Rights, if separate, must be received by the Depositary along with properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof (and if required, the Letter of Transmittal Supplement), (ii) such Shares and Rights must be tendered pursuant to the procedure for book-entry transfer set forth below and a Book Entry Confirmation must be received by the Depositary, or (iii) the tendering holder of Shares and Rights must comply with the guaranteed delivery procedures set forth below, in each case prior to the Expiration Date.

Unless the Rights Condition is satisfied, shareholders are required to tender one Right for each Common Share tendered to effect a valid tender of such Common Share. According to the Rights

Agreement, upon the earlier of (i) the tenth day after a person or group has acquired, or has obtained the right to acquire, beneficial ownership of 20% or more of the outstanding Common Shares or (ii) the tenth business day after the date of the commencement of, or first public disclosure of the intent to commence, a tender offer which would result in a person or group beneficially owning 20% or more of the Common Shares, the Rights will be evidenced by certificates for Common Shares and, as soon as practicable thereafter, separate certificates evidencing Rights (the "Rights Certificates") will be distributed to holders of record as of such Distribution Date. Shareholders who sell their Rights after the Distribution Date separately from their Common Shares and do not otherwise acquire Rights will not be able to satisfy the requirements of the Offer for a valid tender of their Common Shares. See Section 14.

If Rights Certificates have been distributed to a tendering shareholder prior to the time Common Shares are tendered pursuant to the Offer, Rights Certificates representing a number of Rights equal to the number of Common Shares tendered must be delivered to the Depositary in order for such Common Shares to be validly tendered. If Rights Certificates have not been distributed to a tendering shareholder prior to the time Common Shares are tendered pursuant to the Offer, Rights may be tendered prior to the receipt of Rights Certificates by using the guaranteed delivery procedure described below. A tender of Rights prior to the receipt of Rights Certificates constitutes an agreement by the tendering shareholder to deliver to the Depositary an equal number of Rights Certificates within five business days after the date of his or her receipt of such Rights Certificates. The tendering shareholder should deliver Rights Certificates received subsequent to the date of tender of Common Shares with a properly completed and duly executed Letter of Transmittal Supplement or a manually signed facsimile thereof with any required signature guarantees and any other document required by the Letter of Transmittal Supplement.

The Purchaser reserves the right to require that it receive Rights Certificates for Rights previously tendered with Common Shares prior to accepting such Common Shares for payment pursuant to the Offer. Nevertheless, the Purchaser will be entitled to accept for payment Common Shares and Rights tendered by a shareholder prior to receipt of the Rights Certificates or a Book Entry Confirmation (if available) with respect to such Rights and either (i) withhold payment for such Common Shares pending receipt of the Rights Certificates or a Book Entry Confirmation for such Rights or (ii) make payment for Common Shares accepted for payment pending receipt of the Rights Certificates or a Book Entry Confirmation for such Rights in reliance upon the guaranteed delivery procedures described below. In addition, after expiration of the period permitted by such guaranteed delivery procedure for delivery of Rights Certificates or a Book Entry Confirmation for Rights (the "Rights Delivery Period"), the Purchaser may instead elect to reject as invalid a tender of Common Shares with respect to which an equal number of Rights has not been received by the Depositary. Any determination by the Purchaser to make payment for Shares in reliance upon such guaranteed delivery procedure or, after expiration of the Rights Delivery Period, to reject a tender as invalid, shall be made in the sole and absolute discretion of the Purchaser. If the Rights Condition has been satisfied, the Purchaser will not require delivery of the Rights Certificates.

Book Entry Transfer. The Depositary will establish an account with respect to the Shares at each Book Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or Federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time. Any financial institution that is a participant in any of the Book Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing such Book Entry Transfer Facility to transfer such Shares into the Depositary's account at such Book Entry Transfer Facility in accordance with such Book Entry Transfer Facility's procedure for transfer. Although delivery of Shares may be effected through book-entry transfer at a Book Entry Transfer Facility, properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof, with any required signature guarantees and any other required documents (which may include the Letter of Transmittal Supplement) must, in any case, be transmitted to and received by the Depositary at one

of its addresses set forth on the back cover page of this Offer to Purchase prior to the Expiration Date, or the tendering holder of Shares and Rights must comply with the guaranteed delivery procedures set forth below. Delivery of documents to a Book Entry Transfer Facility does not constitute delivery to the Depositary.

The Depositary will also make a request to establish an account with respect to the Rights at each of the Book Entry Transfer Facilities, but no assurance can be given that book-entry delivery of Rights will be available. If book-entry delivery of Rights is available, the foregoing book-entry transfer procedures will also apply to Rights. If book-entry delivery of Rights is not available, a tendering shareholder will be required to tender Rights by means of delivery of Rights Certificates to the Depositary or pursuant to the guaranteed delivery procedures described below.

The method of delivery of certificates for Shares and Rights (and, if the Rights are distributed, Rights Certificates) and all other required documents is at the option and risk of the tendering shareholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Sufficient time should be allowed to assure timely delivery to the Depositary. Except as otherwise provided in the Letters of Transmittal, the deliveries referred to above will be deemed made only when actually received by the Depositary.

Signature Guarantees. Signatures on the Letters of Transmittal and Letter of Transmittal Supplement must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. (the "NASD"), or by a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "Eligible Institution"), unless the Shares and Rights tendered thereby are tendered (i) by a registered holder of Shares and Rights, including any participant in a Book Entry Transfer Facility whose name appears on a security position listing as the owner of Shares and Rights, who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letters of Transmittal, or (ii) for the account of an Eligible Institution. See Instruction 1 of each Letter of Transmittal. If the certificates are registered in the name of a person other than the signer of the Letter of Transmittal, or if the payment is to be made or certificates for Shares and Rights not tendered or accepted for payment are to be returned to a person other than the registered owner, then the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as described above. See Instruction 5 of the Letters of Transmittal.

The Letters of Transmittal should be used to tender Shares and Rights. The Letters of Transmittal and the guaranteed delivery procedure described below may be used to tender Rights prior to the receipt of Rights Certificates. The Letter of Transmittal Supplement should be used to deliver subsequently received Rights Certificates.

Guaranteed Delivery. If a shareholder desires to tender Shares and Rights pursuant to the Offer and such shareholder's certificates for Shares and/or Rights are not immediately available (including, in the case of Rights, because Rights Certificates have not yet been distributed by the Company) or time will not permit all required documents to reach the Depositary prior to the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares and Rights may nevertheless be tendered if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser (with any required signature guarantees) is received by the Depositary as provided below prior to the Expiration Date; and

(iii) the certificates for all tendered Shares and/or Rights, in proper form for transfer by delivery, or a Book Entry Confirmation, in each case together with properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof, and, in the case of the

delivery of the Rights Certificates for tendered Rights, a properly completed and duly executed Letter of Transmittal Supplement or manually signed facsimile thereof, and any other documents required by the Letters of Transmittal or the Letter of Transmittal Supplement, are received by the Depositary (a) in the case of Shares, within eight NYSE trading days after the date of execution of the Notice of Guaranteed Delivery or (b) in the case of Rights, within the later of (i) eight NYSE trading days after the date of execution of the Notice of Guaranteed Delivery or (ii) eight business days after the date Rights Certificates are distributed to shareholders by the Company. Shareholders may not extend the foregoing time period for delivery of Rights to the Depositary by providing a second Notice of Guaranteed Delivery with respect to such Rights.

The Notice of Guaranteed Delivery may be delivered by hand, or transmitted by telegram, telex, facsimile transmission or mail, to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

If the Rights Condition is satisfied, the guaranteed delivery procedure with respect to Rights Certificates and the requirements for the tender of Rights described above will no longer apply.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made by the Depositary only after timely receipt by the Depositary of certificates for such Shares or of a Book Entry Confirmation, Rights Certificates for the associated Rights (or a Book Entry Confirmation, if available), properly completed and duly executed Letters of Transmittal or manually signed facsimiles thereof, and any other documents (which may include a Letter of Transmittal Supplement) required by the Letters of Transmittal or the Letter of Transmittal Supplement. Accordingly, payment may be made to tendering shareholders at different times if certificates for Shares and Rights and the required documents are delivered at different times. If the Rights Condition has been satisfied, the Purchaser will not require delivery of the Rights Certificates.

Other Requirements. By executing the Letters of Transmittal, a tendering shareholder irrevocably appoints designees of the Purchaser as such shareholder's proxies, each with full power of substitution, in the manner set forth in the Letters of Transmittal, to vote and exercise all of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares, including the Rights, on or after the date hereof. All those proxies shall be considered coupled with an interest in the tendered Shares. Such appointment is effective when, and only to the extent that, the Purchaser accepts such Shares for payment. Upon such acceptance for payment pursuant to the Offer, all prior proxies given by such shareholder with respect to the Shares or other securities or rights will be revoked without further action, and no subsequent proxies may be given (and, if given, will not be deemed effective). Such designees of the Purchaser will, with respect to such Shares or other securities or rights purchased, be empowered, among other things, to exercise all voting and other rights of such shareholder as such designees, in their sole discretion, may deem proper at any annual, special or adjourned meeting of the Company's shareholders, or by consent in lieu of any such meeting or otherwise. The Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately after the Purchaser's acceptance for payment of such Shares, the Purchaser must be able to exercise full voting and other rights with respect to such Shares or other securities or rights, including, without limitation, voting at any meeting of shareholders then scheduled.

Under the federal income tax backup withholding rules, unless an exception applies under the applicable laws and regulations, the Depositary will be required to withhold, and will withhold, 20% of the gross proceeds otherwise payable to a shareholder or other payee pursuant to the Offer, unless the shareholder or other payee provides his tax identification number (employer identification number or social security number) and makes certain required certifications. Therefore, unless such an exception applies and is proved in a manner satisfactory to the Purchaser and the Depositary, each tendering shareholder, and if applicable, each other payee, should complete and sign the Substitute Form W-9 included as part of the Letters of Transmittal, in order to provide the information and

certification necessary to avoid backup withholding. Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that shareholder must submit a statement, signed under penalty of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depositary. See Instruction 9 and the information under the caption "Important Tax Information" in the Letters of Transmittal.

A valid tender of Shares and Rights pursuant to any of the procedures described above will constitute the tendering shareholder's acceptance of the terms and conditions of the Offer, as well as the tendering shareholder's representation and warranty that such shareholder owns the Shares and Rights being tendered within the meaning of Rule 10b-4 under the Exchange Act. The Purchaser's acceptance for payment of Shares and Rights pursuant to the Offer will constitute a binding agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tendered Shares and Rights will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. The Purchaser reserves the absolute right to reject any or all tenders of any particular Shares and Rights determined by the Purchaser not to be in proper form or if the acceptance of or payment for such Shares and Rights may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to Shares or Rights of any particular shareholder. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letters of Transmittal, the Letter of Transmittal Supplement and the instructions to each) will be final and binding. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured to the satisfaction of the Purchaser or waived by Purchaser. None of Parent, the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The tender of Shares pursuant to any of the procedures described above will constitute a binding agreement between tendering shareholders and the Purchaser upon the terms and subject to the conditions of the Offer.

4. **Withdrawal Rights.**

Except as otherwise provided in this Section 4, tenders of Shares and Rights are irrevocable. Shares and Rights tendered pursuant to the Offer may be withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date, and unless theretofore accepted for payment and paid for by the Purchaser as provided herein, may also be withdrawn at any time after Friday, July 14, 1989.

For a withdrawal of Shares and Rights to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses specified on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares and Rights to be withdrawn, the number of Shares and Rights to be withdrawn and the name in which the certificates representing such Shares and the Rights Certificates representing such Rights are registered, if different from that of the person tendering such Shares and Rights. If certificates for Shares and Rights Certificates for Rights to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the serial numbers shown on the particular certificates evidencing such Shares and Rights to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution, unless such Shares and Rights have been tendered for the account of an Eligible Institution, must be furnished to the Depositary as described above. If Shares and Rights have been delivered pursuant to the procedure for book-entry transfer set forth in Section 3, any notice of withdrawal must identify, and specify the name and number of the account at, the Book Entry

Transfer Facility to be credited with such withdrawn Shares and Rights and otherwise comply with such Book Entry Transfer Facility's procedures.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. None of the Acquirors, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification. Any Shares and Rights properly withdrawn will be deemed not validly tendered for purposes of the Offer; however, withdrawn Shares and Rights may be re-tendered by following any of the procedures described in Section 3 at any subsequent time prior to the Expiration Date.

If the Purchaser extends the Offer, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights as described under the Offer, the Depositary may, nevertheless, on behalf of the Purchaser, retain such tendered Shares and Rights and such Shares and Rights may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as set forth in this Section 4 and subject to Rule 14e-1(c) under the Exchange Act, which requires any person making a tender offer to pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of a tender offer. See Sections 15 and 16.

5. Certain Federal Income Tax Consequences.

The discussion below generally applies only to Shares and Rights held as capital assets and only to shareholders who are United States citizens or residents or United States corporations. In addition, it does not apply to any person who will own common stock of Parent or Shares of the Company, directly or by attribution, after the Merger and may not apply to Shares acquired by a shareholder pursuant to the exercise of employee stock options or Shares received as compensation. Shareholders are urged to consult their own tax advisors concerning the tax consequences to them of the Offer and the Merger.

In general, sales of Shares pursuant to the Offer will be taxable transactions for federal income tax purposes and may also be taxable transactions under state, local and foreign tax laws. The specific tax consequences to a shareholder of sales of Shares pursuant to the Offer, including the amount of any taxable gain or loss, will depend upon whether the Offer and the Merger are treated for federal income tax purposes as a single integrated transaction that qualifies in part for nonrecognition treatment as an exchange under Section 351 of the Internal Revenue Code of 1986, as amended (the "Code") (a "Section 351 exchange"), or as a reorganization under Section 368 of the Code ("Section 368 reorganization"). It is not clear whether the Offer and the Merger will be treated as a single transaction or whether the ultimate structure of the Merger will cause the Offer and the Merger to be treated as a Section 368 reorganization or a Section 351 exchange.

Offer and Merger Treated as Separate Transactions. If the Offer and the Merger are treated as separate transactions for federal income tax purposes, then a shareholder who sells Shares pursuant to the Offer will recognize capital gain or capital loss equal to the difference between his tax basis in the Shares sold and the amount of cash received pursuant to the Offer. Such capital gain or capital loss will be long-term if the Shares were held for more than one year.

Even if the Offer and the Merger are treated as separate transactions, the Merger alone might qualify as a Section 368 reorganization. In that case, the federal income tax consequences of the Merger would be as described below under "Offer and Merger Treated as Single Transaction That Qualifies as a Section 351 Exchange or as a Section 368 Reorganization", but disregarding Shares sold and cash received pursuant to the Offer. If the Merger alone does not qualify as a Section 368 reorganization, then a shareholder whose Shares are converted in the Merger into Preferred Stock will recognize gain or loss equal to the difference between his tax basis in the Shares converted and the fair

market value of the Preferred Stock received in the Merger and following the transaction the Preferred Stock will have a basis equal to such fair market value.

Offer and Merger Treated as Single Transaction That Qualifies as a Section 351 Exchange or as a Section 368 Reorganization. If the Offer and the Merger are treated as a single integrated transaction under Section 351, no gain or loss will be recognized upon the exchange of Shares for Preferred Stock in the Merger. A Stockholder's basis in Preferred Stock received in the Merger will be equal to the basis of the Shares exchanged therefor. Gain or loss will be recognized upon the sale of Shares in the Offer. Such gain will be capital gain or loss and will be long-term capital gain or loss if the Shares were held for more than one year.

If the Offer and the Merger are treated as a single integrated transaction qualifying as a Section 368 reorganization and a shareholder transfers all of his Shares in the Merger in exchange for Preferred Stock, no gain or loss will be recognized and the Preferred Stock will have a basis equal to the basis of the Shares transferred.

If a shareholder sells a portion of his Shares pursuant to the Offer and his remaining Shares are converted into Preferred Stock pursuant to the Merger and the Offer and the Merger are treated as one integrated transaction, gain recognized on the transfer or exchange of Shares will be limited to the lesser of (i) the gain realized on the transaction or (ii) the cash received pursuant to the Offer, and no loss will be recognized. Such gain or loss must be calculated separately for each block of Shares (Shares acquired at the same price in a single transaction) held by a shareholder. The Preferred Stock received in the Merger will have a basis equal to the shareholder's basis in his Shares, reduced by the cash received and increased by the gain recognized in the transaction. Gain recognized as the result of the Offer and the Merger will be capital gain and will be long-term capital gain if the Shares were held for more than one year.

Sale of Rights. In the unlikely event that the Rights Condition is not met but is waived by the Purchaser, holders of Rights sold pursuant to the Offer will recognize gain or loss equal to the difference between the basis of such Rights and the cash received in exchange therefor. In calculating such gain or loss, the cash received pursuant to the Offer must be allocated between the Shares and the Rights in proportion to their respective fair market values. The tax basis of Shares and the tax basis of Rights in the case of a shareholder who received such Rights as a distribution with respect to such Shares will together be equal to the tax basis of such Shares immediately prior to the distribution, assuming (as generally would be the case) that neither the distribution of the Rights nor the separation of the Rights from the Shares was a taxable transaction to holders of Shares. It is possible that gain will result from the sale of Rights and loss will result from the sale of Shares. As described above, the loss on the sale of Shares may not be recognized if the Offer and Merger are treated as an integrated transaction which qualifies as a Section 368 reorganization and the shareholder receives Preferred Shares in the Merger. In addition, it is uncertain whether gain on the sale of Rights will be treated as capital gain. If gain on the sale of Rights is treated as ordinary income rather than capital gain, then if capital loss is recognized upon the sale of Shares such capital loss may not offset ordinary income recognized upon the sale of Rights.

Certain Tax Consequences Applicable to Foreign Shareholders. Under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), gain on the disposition of a "United States real property interest" by a foreign person is subject to tax as income which is effectively connected with trade or business conducted in the United States. The term "United States real property interest" includes publicly traded stock of a United States real property holding corporation in the hands of a more than 5% shareholder. For purposes of FIRPTA, the Company will be considered a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its United States real property interests, its interests in real property located outside the United States, and other assets used or held for use in its trade or business. Foreign shareholders are urged to consult their own tax advisers concerning the tax consequences of the Offer and the Merger.

THE FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE ARE FOR GENERAL INFORMATION ONLY AND ARE BASED UPON PRESENT LAW. EACH SHAREHOLDER IS URGED TO CONSULT HIS OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO HIM OF THE OFFER AND THE MERGER (INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS). THE FOREGOING DISCUSSION MAY NOT BE APPLICABLE TO SHAREHOLDERS TO THE EXTENT THEY HOLD SHARES RECEIVED PURSUANT TO THE EXERCISE OF EMPLOYEE STOCK OPTIONS AS COMPENSATION, OR TO SHAREHOLDERS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES OR UNITED STATES CORPORATIONS.

6. **Price Range of the Shares; Dividends.**

The Common Shares and shares of Convertible Preferred are listed on the NYSE, and the Common Shares are also listed on the Midwest Stock Exchange (the "MSE"), the Boston Stock Exchange ("BSE") and the Philadelphia Stock Exchange ("PSE"). The following table sets forth, for the calendar quarters indicated, the high and low sales prices for the Shares and the amount of cash dividends paid per Common Share for each such period as reported in the Company's 1988 Annual Report for the Common Shares and for the Convertible Preferred shares, and, in each case, for fiscal year 1989, as reported on the Dow Jones News Service.

	Common Shares			Convertible Preferred	
	High	Low	Cash Dividends	High	Low
1987:					
First Quarter	27½	20⅝	—	29½	27½
Second Quarter	25	20⅝	—	29¼	25½
Third Quarter	44½	19½	—	36½	23
Fourth Quarter	36½	16¼	—	32¼	19
1988:					
First Quarter	23⅞	19⅝	—	22⅝	20
Second Quarter	27⅜	21¼	—	26⅝	21⅞
Third Quarter	29¼	24⅜	—	28	25⅛
Fourth Quarter	28½	24¼	—	26⅞	24¼
1989:					
First Quarter	40¾	25¼	—	32	24½
Second Quarter (through May 15, 1989)	44¾	38½	$ .10	34⅝	30¼

In addition, on April 19, 1989, the Company declared a cash dividend of $.10 per Common Share, payable on July 24, 1989 to shareholders of record on July 14, 1989. Cumulative dividends on the Convertible Preferred are payable quarterly, in February, May, August and November of each year, at an annual rate of $2.125 per share. Such dividends have been paid on each dividend payment date since May 15, 1986 (the first dividend payment date).

On March 9, the last trading day prior to the date that Japonica Partners filed its Schedule 13D announcing it beneficially owned approximately 8.8% of the outstanding Common Shares, the closing sales price as reported by the NYSE Composite Tape was $37⅛ per Common Share and $29½ per share of Convertible Preferred. On April 27, 1989, the last trading day prior to the date of the public announcement of delivery by Japonica Partners of a letter to the Company stating Japonica Partners' offer to acquire, pursuant to a merger, all outstanding shares at $44 per Common Share, the closing sales price as reported by the NYSE Composite Tape was $42⅛ per Common Share and $32⅝ per share of Convertible Preferred. See Section 11. On May 11, 1989, the last trading day prior to the date of public announcement by Japonica Partners of its intention to commence the Offer, the closing

sales price as reported by the NYSE Composite Tape was $43 1/2 per Common Share and $33 1/4 per share of Convertible Preferred. On May 15, 1989, the last trading day prior to the date of the commencement of the Offer, the closing sales price as reported by the NYSE Composite Tape was $44 3/4 per Common Share and $33 5/8 per share of Convertible Preferred. Shareholders are urged to obtain a current market quotation for the Shares.

The Rights are currently attached to, and trade together with, the outstanding Common Shares. As described in Section 14, unless the Rights are redeemed or invalidated, the Rights may become exercisable as a result of the announcement of the Offer. If the Rights begin to trade separately from the Common Shares, shareholders are urged to obtain a current market quotation at that time for the Rights.

In the event the Rights are redeemed by the Company's Board of Directors in accordance with the terms of the Rights Agreement, tendering shareholders who are holders of record as of the applicable record date will be entitled to receive and retain the redemption price of one cent per Right paid by the Company.

7. **Effect of the Offer on the Market for the Shares; Stock Exchange Listings; Exchange Act Registration.**

The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and would likely reduce the number of shareholders, which may adversely affect the liquidity and market value of the remaining Shares held by the public.

The Common Shares are currently listed on the NYSE, the MSE, the BSE and the PSE and the Convertible Preferred shares are listed on the NYSE. Depending upon the number of Shares acquired pursuant to the Offer and the number of Shares accumulated by other parties, the Common Shares may no longer meet the requirements for continued listing on the NYSE, the MSE, the BSE and the PSE and may be delisted, and the Convertible Preferred may no longer meet the requirements for continued listing on the NYSE and may be delisted.

The NYSE's published guidelines indicate that the NYSE would consider delisting the Common Shares if, among other things, the number of record holders of 100 or more Common Shares should fall below 1,200, if the number of publicly held Common Shares (exclusive of concentrated holdings and those of officers and directors) should fall below 600,000, if the aggregate market value of the publicly held Common Shares (exclusive of concentrated holdings and those of officers and directors) should fall below $5,000,000, if the aggregate market value of the Common Shares outstanding (excluding Treasury Shares) should fall below $8,000,000 and the average net income after taxes for the past three years is less than $600,000, if the net tangible assets available to the Common Shares are less than $8,000,000 and the average net income after taxes for the past three years is less than $600,000. The NYSE's published guidelines indicate that the NYSE would consider delisting the Convertible Preferred shares if, among other things, the aggregate market value of the publicly held Convertible Preferred shares should fall below $2,000,000 or if the number of publicly held Convertible Preferred shares should fall below 100,000. The NYSE's published guidelines also indicate that the NYSE would consider delisting the Convertible Preferred shares if the Common Shares were delisted. The MSE's published guidelines indicate that it would consider delisting the Common Shares if, among other things, the number of publicly held Common Shares (exclusive of concentrated holdings and those of officers and directors) should fall below 100,000 or if there are fewer than 500 shareholders of record of Common Shares. The BSE's published guidelines indicate that it would consider delisting the Common Shares if, among other things, the number of publicly held Common Shares (exclusive of concentrated holdings and those of officers and directors) should fall below 250,000 and total assets are less than $1,000,000. The PSE's published guidelines indicate that it would consider delisting the Common Shares if, among other things, the number of publicly held Common Shares (exclusive of concentrated holdings and those of officers and directors) should fall

below 250,000, the market value of issued and outstanding shares is less than $500,000, there are fewer than 1,000 record holders and total net tangible assets are less than $1,000,000.

According to the Company's 1988 Annual Report, there were, as of December 31, 1988, 5,005 holders of record of Common Shares. The Company does not report the number of record holders of the Convertible Preferred shares. If, as a result of the purchase of Shares pursuant to the Offer, the Common Shares no longer meet the requirements of the NYSE, the MSE, the BSE and/or the PSE for continued listing or the Convertible Preferred no longer meet the requirements of the NYSE, and the listing of the Shares is discontinued on one or all of such exchanges, the markets for Common Shares or Convertible Preferred shares, as the case may be, could be adversely affected. The Purchaser may seek to cause the delisting of the Common Shares on the NYSE, the MSE, the BSE and the PSE and the Convertible Preferred shares on the NYSE to occur as promptly as possible after the completion of the Offer. If the NYSE, the MSE, the BSE and the PSE were to delist the Common Shares or if the NYSE were to delist the Convertible Preferred, it is possible that the Shares would trade on another securities exchange or in the over-the-counter market and that price quotations for the Common Shares or Convertible Preferred shares would be reported by such exchange or by the NASD or through the NASDAQ System or by other sources. The extent of the public market for the Shares and availability of such quotations would depend, however, upon such factors as the number of holders of Shares and the aggregate market value of the Shares remaining publicly held at such time, the interest of securities firms in maintaining a market in the Shares, the possible termination of registration of the Shares under the Exchange Act, as described below, and other factors.

The Shares are currently "margin securities" under the rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Among other things, this has the effect of allowing brokers to extend credit on the collateral of such Shares. Depending upon factors similar to those described above with respect to delisting by the NYSE, following the purchase of Shares pursuant to the Offer, the Shares might no longer constitute "margin securities" for purposes of the Federal Reserve Board's margin regulations. In such event, Shares could no longer be used as collateral for margin loans made by brokers.

The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of the Company to the Commission if the Common Shares or the Convertible Preferred, as the case may be, are neither listed on a national securities exchange nor held by 300 or more holders of record. The termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its shareholders and to the Commission and would render inapplicable certain provisions of the Exchange Act, including requirements that the Company file periodic reports and furnish shareholders with proxy materials regarding meetings of shareholders of the Company, the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, requirements that the Company's officers, directors and ten-percent shareholders file certain reports concerning ownership of the Company's equity securities and provisions that any profit by such officers, directors and shareholders through purchases and sales of the Company's equity securities within any six-month period may be recaptured by the Company. In addition, the ability of "affiliates" of the Company and other persons to dispose of Shares which are "restricted securities" under Rule 144 under the Securities Act of 1933, as amended, may be impaired or eliminated. If registration of the Shares under the Exchange Act were terminated, neither the Common Shares or the Convertible Preferred would be "margin securities" or eligible for trading on the NYSE, the MSE, BSE or the PSE, or other securities exchanges or for NASDAQ reporting.

The Purchaser intends, once it obtains control of the Board of Directors of the Company by reason of its ownership of Shares, to seek to cause the Company to make applications for termination of registration of the Common Shares and the Convertible Preferred as soon after consummation of the Offer as practicable if the requirements for termination of the registration of the Shares have been satisfied.

The Rights are currently attached to the Common Shares and are not separately transferable. As a result of the announcement of the Offer, the Rights will become transferable apart from the Common Shares after Rights Certificates are distributed, unless the Rights are redeemed or invalidated prior thereto or the Company's Board of Directors extends the Distribution Date. On May 4, 1989 Japonica Partners commenced litigation seeking to invalidate the Rights. See Sections 11 and 14. If the Rights are not redeemed or invalidated, and the Purchaser waives the Rights Condition, then the foregoing discussion with respect to the effect of the Offer on the market for the Common Shares, stock exchange listings, and the Exchange Act registration would apply to the Rights in a similar manner.

8. **Source and Amount of Funds.**

General. The Purchaser estimates that the total amount of funds required to purchase the 13,857,986 Common Shares and 2,699,550 Convertible Preferred shares pursuant to the Offer and to pay fees and expenses related to the Offer is approximately $747 million. Such funds are expected to be provided as follows: (i) equity contributions (the "Equity Contributions"), (ii) senior bank financing to be provided by a syndicate of banks to be led by the Bank (the "Senior Financing"), and (iii) the issuance of subordinated debt securities (the "Subordinated Securities") to be placed by Drexel. The Offer is conditioned on the Purchaser obtaining sufficient financing pursuant to the Commitment Letter and Highly Confident Letter to enable it to purchase the Shares being sought in the Offer and pay related fees and expenses. See Introduction and Section 17.

Equity Contributions. On or prior to the date on which the Purchaser accepts the Shares for payment, an equity contribution will be made by the Acquirors and their affiliates to Parent consisting of not less than 1,443,500 Common Shares beneficially owned by Japonica Partners and its affiliates and approximately $22 million of cash through contributions by Japonica Partners, its affiliates or other investors and available cash on hand of the Partnerships. Parent will make the same contribution to the Purchaser in exchange for shares of common stock of the Purchaser. In addition, simultaneously with consummation of the Merger, Japonica Partners intends to make a permanent equity contribution to the Purchaser consisting of a $25 million investment banking fee.

Bank Financing. The Commitment Letter provides that the Bank has committed (a) to provide, subject to the satisfaction of certain conditions including the execution and delivery of the Credit Agreement, and the successful syndication of the Senior Financing, the lesser of $300 million or 50% of the total Senior Financing (the "Agent's Commitment") that will be necessary to complete the Offer and the Merger, and (b) to use its best efforts to arrange a syndicate of banks (the "Participating Banks") to provide the balance of the Senior Financing. The Commitment Letter contemplates that the Senior Financing of up to $715 million will be made available in two stages. In the first stage, a tender offer facility (the "Tender Offer Facility") of up to $425 million plus an amount estimated by the Bank as sufficient to pay the interest and fees that will accrue during the maximum six-month term of this facility (on the Senior Financing and other indebtedness of the Purchaser on which the Agent and the Participating Banks permit cash interest to be paid prior to the Merger) will be extended to the Purchaser to finance, in part, the Offer and to pay certain related fees and expenses. In the second stage, a permanent facility (the "Permanent Facility") of up to $715 million will be extended, post-Merger, to the Company and/or certain of its subsidiaries to refinance the loans outstanding under the Tender Offer Facility as well as certain outstanding debt of the Company's subsidiaries (see Section 9), to provide working capital for the Company's and its subsidiaries' ongoing operations, and to finance certain fees and expenses related to the Merger. The Permanent Facility will be made available post-Merger pursuant to (x) a $150 million 18-month amortizing bridge loan subfacility, (y) a $505 million 7-year amortizing term loan subfacility, and (z) a $60 million 7-year revolving credit subfacility for loans and letters of credit. The amount of the term loan subfacility will be reduced by an amount of existing debt of the Company and its subsidiaries which the Acquirors and the Bank determine is not required to be refinanced in connection with the Merger.

Tender Offer Facility. Pursuant to the Commitment Letter, funds of up to $425 million, plus an amount that the Bank estimates is necessary to pay six months' interest and fees on the Tender Offer Facility (and other indebtedness of the Purchaser on which the Agent and the Participating Banks permit cash interest to be paid prior to the Merger), will be made available on an unsecured basis, under the Tender Offer Facility. The Commitment Letter provides that the Bank has committed (a) to provide, subject to the satisfaction of certain conditions including the execution and delivery of the Credit Agreement, and the successful syndication of the Senior Financing, the lesser of $300,000,000 or 50% of the total Senior Financing that will be necessary to complete the Offer and the Merger, and (b) to use its best efforts to arrange a syndicate of banks to provide the balance of the Senior Financing required for the Offer. A portion of the amount available under the Tender Offer Facility will not be available for borrowing upon consummation of the Offer but will be held back to pay six months' estimated fees and interest on loans incurred under such facility (and other indebtedness of the Purchaser on which the Agent and the Participating Banks permit cash interest to be paid prior to the Merger). The obligations of the Purchaser under the Tender Offer Facility will be guaranteed by Parent.

Advances under the Tender Offer Facility are due on the earlier of (a) 180 days after the initial borrowing thereunder or (b) consummation of the Merger. Advances will bear interest, payable monthly in arrears, at a rate per annum equal to the Bank's Base Rate in effect, from time to time, plus 1.5%.

Conditions precedent to the loans under the Tender Offer Facility include, among others: (i) proposal by the Purchaser of the Merger, providing for consideration to be paid to the Company's shareholders consisting of not less than $85,000,000 aggregate face amount of Preferred Stock, the form, terms and conditions of which shall be satisfactory to the Bank and the Participating Banks, (ii) should a merger agreement precede the consummation of the Offer, the approval of the Bank, as agent (the "Agent"), and the Participating Banks, of the form, terms and conditions of any merger agreement executed by the Company and the Purchaser, (iii) satisfaction, or waiver with the Agent's and the Participating Banks' approval, of all conditions to the Offer, (iv) receipt by the Purchaser of capital contributions of Shares and cash in an aggregate amount of at least $111,000,000, of which an amount not to exceed $25,000,000 in the form of fees otherwise payable to Japonica Partners may be contributed at the time of the Merger, (v) the approval of the Agent and the Participating Banks of the form, terms and conditions of the Subordinated Securities and the receipt of $300,000,000 in cash proceeds pursuant to placement of the Subordinated Securities, (vi) the absence of any adverse change, which the Agent and the Participating Banks may deem material, in respect of the condition (financial or otherwise), property, assets, nature of assets, liabilities, business or prospects of the Acquirors, the Company or the Surviving Corporation, (vii) the Purchaser's having obtained all necessary consents and approvals and all applicable laws and regulations being complied with, (viii) the issuance of a solvency letter and asset appraisals and audits of the Surviving Corporation satisfactory to the Agent and the Participating Banks, (ix) the satisfaction as to all legal matters of the Agent and the Participating Banks and counsel, including favorable legal opinions as to compliance by all parties with Regulations G, T, U and X, (x) the absence of pending or threatened litigation or proceedings by any entity (private or governmental) with respect to the Credit Agreement or any documentation executed in connection therewith, or which the Agent or the Participating Banks shall reasonably determine could have a materially adverse effect on the Offer or the Merger or on the business, property, assets, nature of assets, liabilities, condition (financial or otherwise) or prospects of the Purchaser, Parent or the Company, or the Company and its subsidiaries taken as a whole and (xi) not less than $216,000,000 of existing indebtedness of one of the Company's subsidiaries and $143,000,000 of existing preference shares of another of the Company's subsidiaries remaining outstanding after the Merger (the "Subsidiary Preference Shares").

Both Parent and the Purchaser will be precluded from conducting any business or operations other than owning the shares of the Purchaser and the Shares, respectively, and performing the transactions contemplated by the Commitment Letter. In addition, the Tender Offer Facility will

contain covenants customary for similar transactions, including specified financial reporting, restrictions on incurring additional indebtedness (including guaranties and negative pledges) or disposing of or permitting the placement of liens on, the assets of Parent, the Purchaser or any of their subsidiaries, and limitations on loans, investments, capital expenditures, acquisitions, mergers and transactions with affiliates, and restrictions on corporate distributions to shareholders.

The Tender Offer Facility will also include customary provisions relating to increased costs of capital, capital adequacy requirements, other increased costs and tax and other indemnities, and shall include such conditions, representations, warranties, affirmative and negative covenants, default provisions and other provisions typical for this type of facility, as well as any additional ones appropriate in the context of the proposed transactions.

Permanent Credit Facilities. Pursuant to the Commitment Letter, funds of up to $715 million will be made available on a secured basis, under three subfacilities: (i) a $150 million bridge loan facility (the "Bridge Loan Facility"), (ii) a $505 million term loan facility (the "Term Loan Facility") and (iii) a $60 million revolving credit facility (the "Revolving Credit Facility") (the Bridge Loan Facility, the Term Loan Facility and the Revolving Credit Facility are sometimes collectively referred to as the "Permanent Credit Facilities").

The Bridge Loan Facility has an eighteen month maturity and both the Term Loan Facility and the Revolving Credit Facility have a seven year maturity. Amounts advanced under the Permanent Credit Facilities, will initially bear interest, at the Surviving Corporation's option, either at (i) the Bank's Base Rate in effect from time to time plus 1.50%, with interest payable quarterly in arrears, or (ii) the Eurodollar Rate plus 2.5% per annum fixed for interest periods of one, two, three or six months, with interest payable on the last day of the applicable interest period, but no less than quarterly. The interest rate applicable to the Permanent Credit Facilites will be reduced as certain financial ratios are achieved. The Bridge Loan Facility and Term Loan Facility will each have scheduled principal repayments during the term, with any remaining balance due at maturity. The Permanent Credit Facilities will provide for certain mandatory prepayments from excess cash flow and from the net cash proceeds of asset sales and refinancings.

The Permanent Credit Facilities will be secured by shares of the surviving corporation, guarantees and substantially all present and future assets of the Surviving Corporation and its subsidiaries, including, but not limited to, a first priority security interest in all accounts receivable, inventory and real estate, and the stock of the subsidiaries of the Surviving Corporation, subject to compliance with the terms of certain existing indebtedness of the Company permitted to remain outstanding. Parent and all direct and indirect subsidiaries of the Surviving Corporation will guarantee the obligations of the Surviving Corporation under the Permanent Credit Facilities, subject to compliance with the terms of certain existing indebtedness of the Company permitted to remain outstanding.

The obligations of the Bank and the Participating Banks to extend the loans under the Permanent Credit Facilities are subject to substantially similar conditions as those applicable to the extension of the loan pursuant to the Tender Offer Facility and certain additional conditions relating to (i) the satisfactory completion of the Merger pursuant to a merger agreement satisfactory to the Agent and the Participating Banks, (ii) the satisfaction of the Agent and the Participating Banks as to the form, terms and conditions of the loan security and guarantee documents with respect to the Permanent Credit Facilities, (iii) the utilization of proceeds as set forth in the Commitment Letter, and (iv) payment of all costs, fees and expenses in respect of the Offer and the Merger to the extent then due. In addition, all amounts outstanding under the Tender Loan Facility shall be repaid on the effective date of the Merger. Purchaser expects to meet its debt service, scheduled amortization and repayment obligations under the Term Loan Facility through cash flow from operations and proceeds from the refinancing or disposition of certain real estate and other assets.

Fees and Expenses Under the Commitment Letter. The Acquirors will pay a commitment fee of .5% per annum on the unused total commitment of the Bank and the Participating Banks, payable in

arrears through the date of the termination of the Permanent Credit Facilities (x) the first such payment to be due on the earlier of the initial funding of the Senior Financing and September 30, 1989, (y) thereafter, and prior to the Merger, monthly and (z) thereafter, quarterly and upon the termination of the Senior Financing or the commitment, as the case may be. The Acquirors have paid, or have agreed to pay or cause to be paid, to the Bank aggregate fees of up to approximately $3,287,500 as well as an annual agency fee of $250,000. In addition, the Bank will be entitled to a non-refundable fee in an amount up to approximately $14,600,000 (subject to reduction based upon the Purchaser's nonuse of funds otherwise made available for the refinancing of the Company's outstanding debt).

Other Financing. Drexel is acting as financial advisor to the Acquirors in connection with the proposed acquisition of the Company and is Dealer Manager in connection with the Offer.

The Acquirors have received a Highly Confident Letter from Drexel which states that, based upon at least $111,000,000 of equity being provided by Japonica Partners (including Shares valued at the price paid in the Offer) of which it is understood that an amount not to exceed $25,000,000 in the form of fees otherwise payable to Japonica Partners may be contributed at the time of the Merger, approximately $715 million of Senior Financing, the Subsidiary Preference Shares remaining outstanding (see Section 9), current conditions and information relating to the Company available to Drexel and Drexel's satisfaction with the form and structure of the Offer and the Merger and the terms and conditions of the equity and bank financing therefor, Drexel is highly confident that it can arrange the placement of the Subordinated Securities in the aggregate principal amount of $300 million. The purchase and sale of the Subordinated Securities will be subject to the satisfaction of all of the conditions to the Offer, receipt of all necessary governmental and regulatory consents and other customary conditions.

In connection with the placement of the Subordinated Securities, the Acquirors have agreed to make available to Drexel, or any designees of Drexel, 5% of the common stock of the Purchaser or Parent on a fully diluted basis at a price per share equal to the weighted average cost per share to the existing investors in the Partnerships (including securities of the Company contributed in respect of such purchase at the acquisition cost to the contributor) for such common stock and other equity securities (other than any shares of common stock issued or issuable to officers or employees of the Company following consummation of the Merger). The Acquirors will also make available to Drexel or its designees warrants to purchase 5% of the common stock of the Purchaser or Parent on a fully diluted basis at an exercise price determined on the same basis as the warrants which may be issued to the purchasers of the Subordinated Securities.

In connection with the placement of the Subordinated Securities, the Acquirors have agreed to make available to the purchasers thereof, a percentage of common stock equal to between 15% and 20% of the common stock (or warrants exercisable for such percentage of the common stock) of the Purchaser or Parent on a fully diluted basis at a price per share (or exercise price per warrant) equal to the purchase price per share paid or to be paid for such common stock by the existing investors in the Partnerships or any subsidiary or affiliate of Japonica Partners including securities of the Company contributed in respect of such purchase price valued at the price to be paid for such securities in the Offer other than any shares of common stock issued or issuable to officers or employees of Company following the Offer.

The purchasers of Subordinated Securities to whom such common stock is made available and the number of such shares made available to any such purchaser shall be determined by Drexel in its sole discretion. If less than all of the shares of common stock the Purchaser makes available to such purchasers are purchased by such purchasers, Drexel shall have the right to receive, upon the terms and conditions set forth in the Letter Agreement (as defined herein), a number of such common shares equal to 25% and the Acquirors shall have the right to receive, upon the terms and conditions set forth in the Letter Agreement, a number of such common shares equal to 75% of the difference between the number of shares made available to such purchasers of securities and the number of such shares actually purchased by such purchasers.

The Acquirors have paid a fee of $1,125,000 to Drexel in connection with the issuance of the Highly Confident Letter. In addition, as compensation for Drexel's services in arranging the placement of the Subordinated Securities, the Acquirors will pay Drexel, at the time the Subordinated Securities are sold, a fee in an amount equal to 4% of the aggregate proceeds of such securities. In addition, in the event Drexel places any interim financing for Purchaser ("Drexel Interim Financing") through a private placement of increasing rate debt securities to any person other than Drexel or an affiliate of Drexel, Purchaser shall pay Drexel a placement fee in an amount equal to 3% of the gross proceeds of such financing, provided that a portion of such fee equal to the lesser of (i) 1½% of the gross proceeds of the Drexel Interim Financing and (ii) 1½% of the gross proceeds from the placement of the Subordinated Securities, shall be credited against the 4% fee payable to Drexel pursuant to the placement of the Subordinated Securities. See Section 19 for other fees, including the Dealer Manager fee, paid or to be paid to Drexel.

This Offer to Purchase does not constitute an offer to sell or a solicitation of an offer to purchase any of the securities described herein.

The foregoing summary of the source and amount of funds is qualified in its entirety by reference to the texts of the Commitment Letter, the Highly Confident Letter and the Drexel engagement letter dated April 27, 1989 (the "Letter Agreement"), copies of which are filed as exhibits to the Schedule 14D-1 and are incorporated herein by reference and may be inspected at the same places and in the same manner as set forth in Section 9 (except that they will not be available at the regional offices of the Commission). If and when definitive agreements relating to the financing are executed, copies will be filed as exhibits to amendments to the Schedule 14D-1.

It is a condition to the Offer that the Purchaser shall have obtained sufficient financing pursuant to the Commitment Letter and Highly Confident Letter to enable it to purchase the Shares being sought in the Offer and to pay related fees and expenses.

Purchaser has been advised by Drexel that the Commission has brought a civil action against Drexel and several key employees of its High Yield Bond Department in the United States District Court for the Southern District of New York. The Complaint alleges violations of the Securities Exchange Act of 1934 and rules and regulations thereunder and of the Securities Act of 1933. The Complaint charges trading on inside information, market manipulation, fraud, failure to file Schedule 13Ds, improper disclosure, parking, aiding and abetting violations of the net capital rules, and margin and record-keeping violations.

The Complaint seeks an injunction against further violations of the securities laws, disgorgement of profits and fees received and losses avoided as a result of the alleged illegal conduct, treble any profits realized or losses avoided on insider trading, and all further relief, legal or equitable, that the Court believes is warranted under the circumstances. Purchaser also has been advised that, on March 29, 1989, the head of Drexel's High Yield Bond Department and one other key employee of such Department, both of whom are on leave of absence, and one former employee of such Department were indicted by a federal grand jury in the Southern District of New York for, among other things, racketeering, conspiracy to violate the racketeering statute, mail and wire fraud, securities fraud and making false statements. In addition, Purchaser has been advised that Drexel and its parent The Drexel Burnham Lambert Group Inc. ("Group") and several other key employees of its High Yield Bond Department are targets of a grand jury investigation being conducted by the United States Attorney for the Southern District of New York with respect to certain alleged violations of the federal criminal laws including, but not limited to, securities fraud, mail and wire fraud and racketeering. The staff of the United States Attorney's office has advised Drexel and Group that such other key employees may be indicted at any time. Purchaser has been further advised by Drexel that, on January 24, 1989, Drexel and Group entered into a plea agreement with the United States Attorney's Office for the Southern District of New York; that the effectiveness of the plea agreement is contingent upon Drexel and Group reaching a settlement agreement with the SEC with respect to all matters alleged in the SEC's civil action; and that pursuant to the plea agreement, Drexel and Group will plead guilty to six felony counts of mail and securities fraud and will pay a total of $650 million covering criminal fines, penalties under the Insider Trading Sanctions Act and future compensation

to civil claimants with respect to damages they can establish. In addition, Purchaser has been advised that, on April 13, 1989, Drexel and Group entered into a settlement with the Commission that, subject to Court approval of the settlement and the plea agreement, would resolve all matters at issue in the Commission's civil action with respect to Drexel and Group. Pursuant to the settlement, Drexel and Group will consent to the entry of a permanent injunction prohibiting violations of the provisions of the federal securities laws of which violations are alleged in the Commission's civil action, make certain personnel, procedural and structural changes, pay penalties under the Insider Trading Sanctions Act of approximately $15 million and pay a total of $350 million over a three-year period to establish a fund for civil claimants. These amounts are included in the $650 million required to be paid pursuant to the plea agreement. Such fund does not limit the aggregate amount of Drexel's and Group's exposure to civil claims. Drexel has advised Purchaser that no assurance can be given that the results of the foregoing will not have an adverse effect on Drexel and/or the market for "high yield" securities, such as the Subordinated Securities. Drexel is an important participant in the market for "high yield" securities.

9. **Certain Information Concerning the Company.**

Except as otherwise indicated herein, the information concerning the Company contained in this Offer to Purchase has been taken from or is based upon publicly available documents on file with the Commission and other public records. None of the Acquirors or the Dealer Manager assumes any responsibility for the accuracy or completeness of the information concerning the Company furnished by the Company or contained in such documents and records or for any failure by the Company to disclose events which may have occurred and may affect the significance or accuracy of such information but which are unknown to the Acquirors or the Dealer Manager.

The Company is a Delaware corporation with its principal executive offices located at One North Western Center, Chicago, Illinois 60606. The Company's telephone number at that address is (312) 559-7000. According to the 1988 Form 10-K, the Company, through its operating subsidiaries, is engaged principally in the railroad transportation business. The Company, through its subsidiaries, is engaged in transporting a variety of freight traffic in the Midwest and primarily coal in Wyoming and Nebraska. It currently operates approximately 6,000 miles of railroad in the nine states of Illinois, Iowa, Michigan, Minnesota, Missouri, Nebraska, South Dakota, Wisconsin and Wyoming.

Certain Financial Information. The following summary consolidated financial information relating to the Company has been taken or derived from the audited consolidated financial statements contained in the 1988 Annual Report, the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1989 (the "Form 10-Q") and other public documents of the Company. More comprehensive financial information is contained in such reports and other documents filed by the Company with the Commission, and the financial information below is qualified by reference to such reports and all of the financial statements and related notes contained therein. The 1988 Form 10-K, the Form 10-Q and other documents may be examined and copies may be obtained from the offices of the Commission as described below.

CNW Corporation

SUMMARY CONSOLIDATED FINANCIAL DATA
(In millions, except per Share amounts)

	Year ended December 31,			Three Months Ended	
	1988	1987	1986	3/31/89	3/31/88
Summary Earnings Data:					
Operating Revenues	$995.4	$899.2	$917.8	$248.1	$243.3
Operating Expenses	886.1	813.9	841.3	208.7	211.7
Operating Income	109.3	85.3	76.5	39.4	31.6
Income from Continuing Operations	69.3	16.4	31.5	21.0	7.8
Net Income	81.0	27.5	43.0	21.0	9.8
Net Income Per Common Share From Continuing Operations	$ 3.71	$ .60	$ 1.60	$ 1.11	$ .37
Net Income Per Common Share	$ 4.34	$ 1.29	$ 2.31	$ 1.11	$ .50

	At December 31,			At March 31,	
	1988	1987	1986	1989	1988
Summary Balance Sheet Data:					
Total Assets	$1727.0	$1684.4	$1649.5	$1628.7	$1727.0
Long-Term Debt	557.9	730.2	734.1	536.4	558.0
Shareholders' Equity	493.5	418.9	397.3	512.2	493.5
Book Value Per Common Share	$ 25.71	$ 21.14	$ 19.87	—	—

The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is required to file with the Commission periodic reports, proxy statements and other information relating to its business, financial condition and other matters. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's operating results, financial condition, directors and officers, their remuneration, stock options granted to them, the principal holders of Company's securities, any material interest of such persons in transactions with the Company and other matters. These reports, proxy statements and other informational filings required by the Exchange Act are available for inspection at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and should also be available for inspection and copying at the regional offices of the Commission located at Kluczinski Federal Building, 230 South Dearborn Street, Chicago, Illinois, 60604 and Room 1102, Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10007. Copies of such material may be obtained by mail, upon payment of the Commission's customary fees, from the Commission's principal office at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549. Such materials should also be available for inspection at the library of the NYSE, 20 Broad Street, New York, New York, the PSE, Philadelphia Stock Exchange Building, Seventeenth and Stock Exchange Place, Philadelphia, Pennsylvania 19103, the BSE, One Boston Place, Boston, Massachusetts 02108, and the MSE, 440 La Salle Street, Chicago, Illinois 60605.

Based on publicly available documents of the Company on file with the Commission, the Purchaser believes that the approximately $72 million of general mortgage notes issued by the Company's subsidiaries, Chicago and North Western Transportation Company and Midwestern Railroad Properties, Incorporated will be required to be refinanced upon the consummation of the Merger. Pursuant to the Committment Letter, an aggregate of $410 million is available to the Purchaser to refinance this and any other indebtedness the Purchaser or the Bank may deem necessary or appropriate.

10. **Certain Information Concerning the Purchaser, Parent, the Partnerships and Affiliates.**

The Purchaser and Parent are Delaware corporations and were both incorporated on May 5, 1989 for the purpose of acquiring the Company. The Purchaser is a wholly owned subsidiary of Parent, which is currently a wholly-owned subsidiary of Japonica Partners. It is contemplated that immediately prior to consumation of the Offer, each of Phoenix Partners, L.P., a Delaware limited partnership, Botanic Partners, L.P., a Delaware limited partnership, Pigeon Investors, L.P., a Delaware limited partnership, Raven Partners, L.P., a Delaware limited partnership, Bates Partners L.P., a Rhode Island limited partnership, and Pelican Partners, L.P., a Delaware limited partnership (collectively, the "Partnerships") and Mr. Kazarian will contribute the Common Shares they own to Parent in exchange for shares of Parent. The general partner of each of the Partnerships is Japonica Partners, whose general partners are PBK Ltd. and MGL Ltd. Neither the Purchaser nor Parent is expected to engage in any business other than in connection with their organization, the Offer, the Merger and the related financing. The Partnerships were formed for the purpose of acquiring Shares of the Company. The principal business of Japonica Partners, PBK Ltd., Mr. Kazarian, Mr. Lederman and MGL Ltd. is to engage in proactive business investments and provide strategic financial advisory services to entities, including without limitation, advice concerning mergers or acquisitions, recapitalization and corporate defensive techniques. Paul B. Kazarian is the Chairman

of the Board and a director of the Purchaser and Parent and the Chairman of the Board, Secretary and sole director of PBK Ltd. Michael G. Lederman is a director, the President, Treasurer and Secretary of the Purchaser and Parent and President, Treasurer, Secretary and sole director of MGL Ltd. The principal executive offices of the Purchaser, Parent, the Partnerships, Japonica Partners and Mr. Kazarian are located at One Hospital Trust Plaza, Suite 1900, Providence, Rhode Island 02903. The principal business address of MGL Ltd. and Mr. Lederman are c/o Japonica Partners, 500 Park Avenue, New York, New York 10022.

Each Partnership (other than Bates Partners, L.P. and Pelican Partners, L.P.) is organized pursuant to an agreement of limited partnership dated as of March 1, 1989; Bates Partners, L.P. was organized in 1988 pursuant to an agreement which was amended and restated as of March 1, 1989 and Pelican Partners, L.P. was organized pursuant to an agreement dated April 28, 1989, and none of the Partnerships has engaged in any active business since its formation other than in connection with its purchase of Common Shares. The limited partnership agreement of each of the Partnerships has been previously filed as an exhibit to Japonica Partners' Schedule 13D and is incorporated herein by reference.

The name, present principal occupations and material occupations, positions, offices or employment of each of the directors and officers of the Purchaser, Parent, MGL Ltd. and PBK Ltd. and of the general partners of each Partnership and Japonica Partners are set forth in Schedule II attached hereto. All of such individuals are citizens of the United States.

Japonica Partners beneficially owns 1,442,400 Common Shares representing, based on the number of Shares outstanding as of March 28, 1989 according to the CNW 1989 Proxy Statement, approximately 8.8% of the outstanding Common Shares and approximately 8.5% of the outstanding Common Shares, assuming the Common Shares reserved for issuance pursuant to employee stock options and pursuant to conversion of the Shares of Convertible Preferred not being sought in the Offer, in each case excluding Treasury Shares. The Common Shares were purchased by Japonica Partners on behalf of the Partnerships and itself in open market transactions. Paul B. Kazarian is the record owner of 1,100 shares and PBK Ltd. and Mr. Kazarian may be deemed to beneficially own all of the Common Shares beneficially owned by Japonica Partners. Schedule I sets forth information with respect to each purchase and sale of Common Shares made by Japonica Partners, each Partnership, Mr. Kazarian, and Mr. Lederman and the Nominees during the past two years. Japonica Partners does not own any shares of Convertible Preferred.

Except as set forth in this Offer to Purchase, none of the Acquirors nor, to the best knowledge of the Acquirors, any person listed on Schedule II hereto, or any majority-owned subsidiary or associate of the Acquirors or of any person so listed, beneficially owns or has a right to acquire any equity securities of the Company. Except as set forth in this Offer to Purchase and in Schedule I hereto, none of Parent or the Purchaser or, to the best knowledge of Parent or the Purchaser, any of the persons or entities referred to above, or any of the respective executive officers, directors or subsidiaries of any of the foregoing, has effected any transactions in the equity securities of the Company during the past two years.

Except as described in this Offer to Purchase, none of the Acquirors nor, to the best knowledge of the Acquirors, any executive officer or director thereof, has any present or proposed contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as disclosed herein, there have been no contracts, negotiations or transactions since January 1, 1986 between the Acquirors or, to the best knowledge of the Acquirors, any executive officer or director thereof, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets. Except as set forth herein, none of the Acquirors, nor, to the best knowledge of the Acquirors, any executive officer or director thereof, has had any business relationships or has entered into any transactions with the

Company or any of its executive officers, directors or affiliates which are required to be disclosed herein pursuant to the rules and regulations of the Commission.

By letter dated March 10, 1989, Japonica Partners terminated an agreement with AcQuest Capital Corporation dated December 12, 1988, which provided for, among other things, the payment by Japonica Partners of a fee based upon Japonica Partners' profits on certain capital raised. Although terminated, the agreement provides for certain rights and obligations between the parties thereto with respect to post-termination events.

Japonica Partners was engaged as strategic financial advisor to H. Comet Industries, Inc. ("H. Comet") and, in such capacity, Japonica Partners and Mr. Kazarian were participants in a proposed solicitation of proxies to elect H. Comet's slate of directors of the Company at the Company's 1988 Annual Meeting of Shareholders. In return for Japonica Partners' services, H. Comet agreed to reimburse Japonica Partners for all expenses, including legal fees, incurred by it in connection with such services and to indemnify Japonica Partners against certain losses, claims, damages or liabilities arising from its service as investment advisor to H. Comet. In May 1988, the plan to solicit proxies for the election of H. Comet's slate of nominee directors was terminated and the agreement described above was subsequently terminated.

Japonica Partners and H. Comet entered into an agreement, as amended, dated March 31, 1988 (the "Co-Investor Agreement"), with Steinhardt Partners, New York, New York (the "Investor"), pursuant to which the Investor had purchased 250,000 shares of Common Stock of the Company. The Co-Investor Agreement grants Japonica Partners and H. Comet full authority to sell any and all shares so purchased and the exclusive right to direct the voting of such shares (with the Investor obligated to execute a proxy for such purpose). Japonica Partners and H. Comet in turn agreed that Japonica Partners would have the sole right to exercise the rights granted to Japonica Partners and H. Comet under the Co-Investor Agreement with respect to such investment authority and the voting of such securities. In light of the agreement between H. Comet and Japonica Partners, H. Comet disclaimed beneficial ownership of all shares purchased under the Co-Investor Agreement.

The Investor could terminate the Co-Investor Agreement at any time after June 30, 1989 or if certain events relating to market conditions occur before that date. Japonica Partners and H. Comet could terminate the Co-Investor Agreement at any time.

The Co-Investor Agreement provides that the Investor would pay Japonica Partners and H. Comet (i) an initial fee of 1% of the amount delivered to Japonica Partners and H. Comet for investment by the Investor (the "Initial Fee") and (ii) an additional fee of 50% of all profits realized from the investment under the Co-Investor Agreement which are in excess of such amount of profits as is necessary to provide the Investor with a 20% annualized rate of return (the "Additional Fee"). H. Comet and Japonica Partners in turn entered into an agreement which provides that (i) the Initial Fee shall be paid to Japonica Partners and (ii) the Additional Fee will be divided evenly between Japonica Partners and H. Comet after payment to H. Comet of an amount equal to 150% of the amount invested in stock of H. Comet by its shareholders (such amount not to exceed $150,000 without prior approval of Japonica Partners).

The Co-Investor Agreement further provides that in the event that Japonica Partners and H. Comet organize a limited partnership in order to provide financing for further investments in the securities of the Company, Japonica Partners and H. Comet will provide the Investor with a right of first refusal to purchase limited partnership interests in such partnership on substantially the same terms and conditions as the partnership proposes to offer such interests to other investors.

Item 4. Background of the Offer; Contacts with the Company.

Japonica Partners purchased its Common Shares with a view toward maximizing their value. Japonica Partners, based upon its analysis of publicly available information, believes that a gap exists between the pre-rumor market price of the Common Shares and the potential value of the Common Shares (the "Value Gap"). On November 15, 1988, Japonica Partners met with Robert W. Schmiege, Chairman of the Board, President and CEO of the Company and two Senior Vice Presidents of the Company to discuss Japonica Partners' view of the components of the Value Gap. Japonica Partners found management to be receptive to its ideas and a second meeting was scheduled for December 15,

1988, in order to continue the discussions. The December 15th meeting was cancelled by the Company. Based upon conversations with the Company's management, Japonica Partners understands that the Company's Board's preconceived notion that the Company should remain independent led the Board to abruptly terminate the scheduled meeting prior to full consideration of Japonica Partners' views.

On March 13, 1989, Japonica Partners filed a Schedule 13D disclosing its beneficial ownership of approximately 8.8% of the outstanding Common Shares and delivered the following letter to Robert W. Schmiege.

CONFIDENTIAL

March 13, 1989

ROBERT W. SCHMIEGE
Chairman, President & CEO
CNW CORPORATION
One Northwestern Center
Chicago, IL 60606

Bob:

The Company's recent extraordinary stock volume and persistent rumors that one of several major financiers may shortly offer to purchase the Company are of obvious concern. Combining this concern with the refusal of the Board of Directors to sponsor adequate plans or programs to substantially enhance shareholder value by closing the "value gap" between the Company's potential value and its pre-rumor stock price, leaves both management and *all* shareholders unnecessarily vulnerable to actions that prevent the shareholders from benefiting from a reduction of the "value gap."

As you know, we have expressed our views on the "value gap" in the past but, as you indicated, your board has specifically prohibited management from further exploring with us our ideas for a business plan that would dramatically close the "value gap." The fact that the board instructed management to cancel—at the last minute—our second full day session in December of last year is unfortunate for *all* shareholders. For your reference, attached is our December 19, 1988 letter.

We sympathize with your predicament and wish to provide positive stimulus to close the "value gap." Our sizeable equity position can be used to the advantage of *all* shareholders. Regrettably, we understand that your current outside board members have purchased and own, in the aggregate, embarrassingly little stock.

As practicable, we will seek to assist interested management in closing the "value gap." Please view us as a proactive white knight and as a positive alternative to your current board members. Our March 13th 13-D is attached.

Sincerely,

/s/ P.B. KAZARIAN, ltd.
P.B. KAZARIAN, ltd.

Just hours after Japonica Partners' filing of its Schedule 13-D with the Commission, the Company issued a press release announcing that the Company "has made it very clear" that it intends to remain independent.

On March 16, 1989, Japonica Partners delivered the following letter to Robert W. Schmiege:

March 16, 1989

ROBERT W. SCHMIEGE
Chairman, President & CEO
CNW CORPORATION
One Northwestern Center
Chicago, IL 60606

Bob:

We are today formally notifying Jim that we intend to nominate a slate of directors for election at CNW's forthcoming annual meeting. As we indicated to Jim we believe that this step has been made necessary by the refusal of the board to work constructively with us as a "proactive white knight" and to take steps to close the value gap for the benefit of CNW's shareholders and by their refusal even to permit management to attend a meeting with us which you previously scheduled to consider this matter. The timing of our decision to pursue the election of new directors was mandated by the "early warning" notification provision in CNW's by-laws.

We have furnished Jim with background information concerning our nominees. We believe that it is clear that our slate has the credentials, background and diversity of skills and experience that will enable it to work with corporate and operating management to enhance shareholder value. Our nominees include people with operating and executive experience in the transportation and other industries, including the railroad industry, familiarity and experience with the Interstate Commerce Commission and other legal and regulatory affairs and extensive knowledge of corporate finance and investment banking. Bob, we believe that you and CNW's shareholders should view this slate as a positive alternative to the Company's current outside directors.

We are prepared to discuss with you the expansion of the number of directorships of CNW to accommodate one or more members of CNW's senior management.

Sincerely,

/s/ P.B. KAZARIAN, ltd.
P.B. KAZARIAN, ltd.

That same day, Japonica Partners nominated eight Directors for election to the Board of the Company at the 1989 Annual Meeting of shareholders by delivery to the Company's Secretary of a formal notice of nomination of Directors, as is required by the Company's By-Laws. In its notice to the Company, Japonica Partners indicated that the Board's unwillingness to take steps to close the Value Gap for the benefit of the Company's shareholders or to enter into discussions with Japonica Partners left Japonica Partners little choice but to provide a positive alternative to the existing directors. Although Japonica Partners provided eight nominees for election, Japonica Partners indicated that it would be prepared to expand the size of the Board to accommodate Mr. Schmiege and possibly other members of senior management. The eight persons nominated by Japonica Partners were Messrs. Campbell, Cramer, Hardesty, Kazarian, Lederman, Shepherd, Pecchenino and Vlasin. As a result of the announced resignation of John Butler, the current Board reduced its size to seven and Mr. Lederman subsequently withdrew as a nominee. See Schedules I and II for information with respect to the Nominees.

On March 19, 1989, Japonica Partners delivered the following letter to Mr. Schmiege:

March 19, 1989

ROBERT W. SCHMIEGE
Chairman, President & CEO
CNW CORPORATION
One Northwestern Center
Chicago, IL 60606

Bob:

In light of recent comments in the press that could cloud your understanding of our objectives, we want to reiterate that we view our role as that of a "proactive white knight" and, as such, a positive alternative to your current board.

We also want to stress a related point: no "greenmail" is sought or will be accepted.

Sincerely,

/s/ P.B. KAZARIAN, ltd.
P.B. KAZARIAN, ltd.

cc: M.G. Lederman, Ltd.

On April 27, 1989, Japonica Partners sent the following letter to the Board of Directors of the Company:

April 27, 1989

The Board of Directors
CNW CORPORATION
One North Western Center
165 N. Canal St., 8th Floor
Chicago, IL 60606

Re: *Acquisition of CNW Corporation*

Gentlemen:

We assume that you have carefully reviewed Japonica Partners' April 18th proxy solicitation material, and that you are familiar with our equity ownership, board nominees, and intention to acquire the Company.

Our Offer: Your advertisement earlier this week appeared to be yet another invitation to us to make an offer to acquire the Company. We are thus pleased to offer to acquire, pursuant to a merger, all outstanding shares of the Company's Common Stock at a price of $44.00 per share of which $39.50 per share would be in cash and an additional $4.50 per share (market value on a fully distributed basis) in preferred stock. We have received a commitment letter from a premier money center bank, and have engaged Drexel Burnham Lambert Incorporated as our investment banker and have received a "highly confident" letter from them.

We are prepared to promptly negotiate a definitive merger agreement, containing customary terms and conditions (including, of course, redemption of CNW's "Poison Pill" Shareholder Rights Plan). We believe that consummating the acquisition expeditiously would be in the best interest of all the Company's shareholders, its customers, suppliers, management, employees, and the communities that it serves.

Adequacy of Offer Price: As you know, the Company's stock traded at approximately $25 per share as recently as January of this year. There have been no operating-related developments that justify the increase to today's stock price level. Our offer places a fair—and indeed, generous—value

on the Company's Common Stock. Nevertheless, we are willing to consider increasing this offer and adjusting its terms if the Board can demonstrate that such changes are warranted.

The cash portion of our offer also substantially exceeds the cash portion ($20 per share) of the Management/Gibbons Green proposal that had the Board's unanimous approval less than a year ago. An objective Board, acting with full information on behalf of its shareholders, could not possibly conclude that the Management/Gibbons Green offer was fair and that our offer is inadequate.

Financial Wherewithal: Please understand that we have the financial wherewithal to acquire the Company. As stated above, we have received a commitment letter for the senior financing from a premier money center bank and a "highly confident" letter from our investment banker, Drexel Burnham Lambert Incorporated, for the subordinated financing required to acquire the Company. Any attempt to dismiss our offer based on financing, whether through litigation or other means, will be futile, provide further evidence of an entrenchment motive, and be wholly inconsistent with the interest of the Company's shareholders and its other constituencies.

Please note that our current investment in the Company's Common Stock has a value of almost $60 million and that we are covering our own expenses. In contrast, the Board approved an acquisition by Gibbons Green, even though they had not purchased a single share of the Company's Common Stock, and required the Company to reimburse their expenses (which, according to CNW's 1989 First Quarter Report, cost the Company approximately $4.2 million).

Interest of All CNW Constituencies: The Management/Gibbons Green acquisition approved by the Board can only be characterized as bust-up/break-up deal. Again, in contrast with that aborted acquisition, we intend to manage all of the freight operations of CNW, including Western Railroad Properties, Inc., while working cooperatively with the employee unions to maintain and improve operations and service for CNW's customers. The assets we are considering selling are only those which are not essential to CNW's freight business, such as certain real estate, excess equipment, and the commuter lines.

We sincerely believe that the management group and board proposed by Japonica Partners has both the experience and competitive culture that will benefit the Company, its management, employees and owners.

We envision and welcome a continuing role in the Company for the present management of CNW. However, our proposal is *not* contingent upon any member of the current management team agreeing to remain.

Resolve: We expect that each Board member will act in the best interest of all the Company's constituencies by promptly beginning discussions to consummate our acquisition of CNW. Although our efforts to date have only been friendly, we—and undoubtedly other shareholders—consider each board member to be *personally* responsible for his decision on this matter.

We will wait until 9:00 a.m. (Chicago time) on Monday, May 1, 1989 for your response.

Sincerely,

/s/ C. Howard Hardesty

C. Howard Hardesty, former President
and Chief Executive Officer,
Purolator Courier Corporation
(Chairman Designate)

/s/ C.L. Pecchenino

C.L. Pecchenino, former President
and Chief Operating Officer,
I.C. Industries, Inc.
(Vice Chairman Designate)

/s/ Paul B. Kazarian

Paul B. Kazarian, President
P.B. Kazarian, ltd., a general
partner of Japonica Partners
(Vice Chairman Designate)

On April 30, 1989, Japonica Partners delivered the following letter to representatives of the Company:

April 30, 1989

HIGHLY CONFIDENTIAL

RONALD FREEMAN
Managing Director
SALOMON BROTHERS INC
One New York Plaza 44th Floor
New York, New York 10004

Re: *Acquisition of CNW Corporation—For Distribution to the Board at its 4/30 Meeting.*

Ron:

Although our public filings and telephone conversations with you have demonstrated the merits of our offer and the strength of our financing, we remain concerned that the Board's continuing attention to this particular issue is misplaced and may result in a failure to deal effectively with an equally salient point from the shareholders' perspective: the Board now has an opportunity to lock-in a generous $44.00 per share purchase price.

As we stated in our April 27th offer letter, we clearly have the financial wherewithal to acquire the Company. Unlike other potential buyers the Board has entertained in the past, Japonica Partners has the largest investment in the Company's Common Stock (about $61 million), has incurred millions in expenses, including the significant fees paid to our commercial and investment banks in arranging more than one billion dollars of financing, and we have assembled a top-notch team of operators.

To answer the questions posed in CNW's recent advertisement: Yes, we *are* for real. Our bid is financed and unquestionably full, fair and generous—no credible argument can be made that the Board's failure to lock-in our offer would be in the best interests of the Company's shareholders. In a spirit of cooperation, the purpose of this letter is to suggest a process to pursue the opportunity presented by our bid, which process includes allowing the Board additional time to respond to our bid.

Availability of Japonica Partners. We are available, together with counsel, to meet immediately with the Company and its representatives.

Timing Issues. The Board has asked us to allow more time for its response. We are willing to do so if the Board has commenced an appropriate process (see below) for handling our offer. We expect to hear from you this evening to learn whether the Board is willing to embark upon such a process.

Our intention to acquire the Company has been public since March 13, 1989 when Japonica Partners filed its Schedule 13-D. By now, the Board clearly knows whether higher bidders may exist. After all, Salomon Brothers has worked with the Company and the Board for more than a decade and is also intimately familiar with the railroad industry, given its additional experience with Conrail and Santa Fe.

We understand that the Board may augment its advisory team with a second investment bank. In our view, a redundant, multi-million dollar expenditure is not in the best interests of, and should not be borne by the Company's shareholders. **We view such a fee as a duplicative waste of corporate assets that the Board should not commit to pay.** In any event, we cannot permit the Board's decision on this matter to provide any excuse for delay. Furthermore, the Board should also know that to avoid all appearance of conflict of interest, the principals of Japonica Partners have been advised by counsel to avoid any and all contact with our former employer on this matter. The risk of unnecessary shareholder litigation directed toward the Board or Japonica Partners should be prevented.

Process. We recognize the Board's need to pursue a process that is consistent with it's fiduciary obligations. We therefore suggest, and wish to discuss immediately with the Board and its advisors a process that includes the negotiation of an agreement substantially similar to the Gibbons Green merger agreement. Executing such an agreement would lock-in for CNW's shareholders our $44.00 per share offer while enabling CNW's Board to consider other prospective proposals.

As you know, we—and other shareholders—consider each member of the Board to be personally responsible for his decision as to how Japonica Partners' bid should be treated. Any action by any Board member to discourage our interest and our clearly generous bid, or to dilute either through procedural machinations, simply cannot be tolerated.

Resolve. The Board was attempting to sell the Company less than a year ago. Its efforts were exhaustive—it knows that our bid is generous and it knows the universe of potential buyers. Seven weeks have passed since our intention to acquire the Company became known publicly. This is more than enough time for new bidders to have surfaced and for the Board to have confirmed whether known potential bidders remain interested. It is now time for the Board to deal with the merits of Japonica Partners' offer.

* * *

As mentioned, we are ready to meet with the Board or a committee therof and its advisors as soon as possible.

Very truly yours,

JAPONICA PARTNERS

/s/ P.B. KAZARIAN, ltd.
P.B. KAZARIAN, ltd.
GENERAL PARTNER

/s/ M. G. LEDERMAN, Ltd.
M.G. LEDERMAN, Ltd.
GENERAL PARTNER

cc: C. HOWARD HARDESTY
C.L. PECCHENINO

On May 1, 1989, the Company issued the following press release:

CNW CORPORATION BOARD OF DIRECTORS FORMS SPECIAL COMMITTEE TO CONSIDER JAPONICA PROPOSAL AND ALTERNATIVES FOR COMPANY

CHICAGO, ILLINOIS, MAY 1, 1989—CNW Corporation (NYSE:CNW) today announced that its board of directors has appointed a special committee, consisting of the independent directors of the company. The special committee has authorized its representatives to meet with representatives of Japonica Partners, L.P. to explore Japonica's proposal to acquire all the common stock of the company in a merger transaction. The special committee has also authorized its representatives to explore other alternatives to maximize shareholder value. The special committee has retained Salomon Brothers Inc and Goldman, Sachs & Co. as its financial advisors and Mayer, Brown & Pla . as its legal counsel.

CNW Corporation is the holding company for the Chicago and North Western Transportation Company, a leading railroad freight hauler in the central transcontinental corridor and major originator of coal and grain.

On May 2, 1989, counsel to Japonica Partners delivered the following letter to counsel to the Special Committee:

HIGHLY CONFIDENTIAL

Memorandum to: The Special Committee of the Board of CNW Corporation and its Financial and Legal Advisors.

The Company's announcement yesterday together with certain statements made by the Special Committee's financial advisors conflict with the Company's refusal today to commit to negotiate a Merger Agreement with Japonica Partners as promptly as possible. We have consistently told your financial advisors that during the negotiation of, and for a reasonable period after signing, the Merger Agreement, CNW's Special Committee would have the right to actively show the Company. We believe that your announcement yesterday has misled the public into believing that the Company and Japonica Partners are in serious discussions regarding a merger (see today's press, Company's stock price and analyst's comments). The Board is personally responsible for this misleading information and clarification is required.

Accordingly, we respectfully request that by 3:30 p.m. today (New York Time), CNW commit to negotiate a Merger Agreement with Japonica Partners as promptly as possible, and publicly announce this commitment.

Later that day, counsel to the Special Committee delivered the following letter to counsel to Japonica Partners:

May 2, 1989

VIA TELECOPIER

Martin Nussbaum, Esq.
c/o Japonica Partners
500 Park Avenue
New York, New York 10022

Dear Mr. Nussbaum:

We are responding to your May 2, 1989 memorandum to CNW's Special Committee. We disagree with your assertion that CNW has misled the public or that its conduct is in conflict with the press release that CNW issued yesterday. To the contrary, the Special Committee has made every effort to implement the announcement made in yesterday's press release.

First, representatives of the Special Committee have attempted since our discussions began yesterday to enter into a confidentiality agreement to give Japonica prompt access to CNW's management and relevant nonpublic information.

Second, representatives of the Special Committee have repeatedly asked Japonica for information that would clarify the proposed debt and equity financing for its offer. Japonica has been unwilling or unable to provide that information.

Third, the Special Committee's financial advisors told Japonica last night that, if it wishes to submit a proposed merger agreement, the Special Committee would give such a proposed agreement prompt consideration. The Special Committee cannot, however, commit by 3:30 today to negotiate a merger agreement with Japonica.

Very truly yours,

JEFFREY M. STRAUSS

JMS:jef

* * * * * *

On May 4, 1989, Japonica Partners sent its proposed confidentiality agreement and a draft merger agreement to counsel to the Special Committee of the Board of Directors of the Company. Japonica Partners' proposed confidentiality agreement is based on and similar to the confidentiality

agreement between Santa Fe and Olympia and York, which was endorsed by the Company's financial advisors in that transaction, and the draft merger agreement is modeled after the merger agreement unanimously approved by the Company's Board in connection with the proposed acquisition by Management/Gibbons Green last year. The confidentiality agreement would have become effective upon execution by the Company.

On May 9, 1989, Japonica Partners issued the following press release:

FOR IMMEDIATE RELEASE

NEW YORK, NEW YORK, MAY 9, 1989—Japonica Partners, L.P., said today that representatives of the special committee of CNW's Board of Directors rejected a merger proposal from Japonica Partners that would have "locked in" a value of $44.00 per share while allowing the Board of CNW another 30 days in which to actively seek higher offers. Japonica Partners said that given the Board's rejection of its merger proposal, it is now evaluating its options.

Japonica Partners said that it agreed, under the terms of the merger proposal, to provide CNW with additional information on Japonica Partners' financing, but that CNW refused to postpone the annual shareholder meeting for 30 days to allow the Company's current shareholders the opportunity to fully assess the Board's progress toward maximizing shareholder value through a sale of the Company. Japonica Partners added that the Board's refusal to postpone the shareholder vote demonstrates that the Board is attempting to escape accountability to the Company's current shareholders.

"The incumbent Board's refusal to postpone the annual meeting to allow shareholders to consider carefully the Board's efforts to sell the Company is clear evidence of the lack of sincerity of the Board's self-proclaimed efforts to 'maximize shareholder value'," Japonica Partners said. "Since the record date for the May 16 annual meeting, more than 18 million shares have been traded, substantially changing the ownership profile of the Company which has but 16.4 million shares outstanding. Its efforts to deny these new shareholders the opportunity to judge and vote upon the Board's performance and to determine the future of their investment is further evidence of what we believe is the Board's real objective of entrenching current management without due regard for the interests of the shareholders."

Japonica Partners, consistent with its commitment to delivering value to CNW shareholders, further stated that if Japonica Partners' nominees are elected at the May 16 meeting, they will pledge to conduct another election if they should fail to enter into a transaction offering shareholders at least $44.00 per share. "We firmly believe that the only obstacle to shareholders realizing at least $44.00 per share for their CNW common stock is the obstruction by CNW's Board," Japonica Partners said.

Later that day, the Company issued the following press release (as reported by the Dow Jones News Service):

05/09 (DJ) CNW Corp Says It Continues To Seek 'Able' Buyers For Firm

CHICAGO - DJ - CNW CORP. said it was continuing its efforts to find financially able buyers for the Company in order to maximize shareholder value and it denies charges by Japonica Partners that the representatives of its special committee had rejected Japonica's $44-a-share merger proposal.

In connection with the search for buyers, CNW said its special committee continued its discussions with several potential buyers.

CNW said that yesterday Japonica told CNW that it would not disclose the source of its financing or sign a confidentiality agreement unless CNW postponed its scheduled May 16 annual meeting for 30 days.

The special committee concluded that the scheduled May 16 shareholders meeting should not be postponed.

"Japonica's ability to purchase the Company is not affected by the timing of the annual meeting," said C.J. Gauthier, chairman of the special committee of CNW's Board. "We continue to encourage all interested parties, including Japonica," said Gauthier.

Earlier, Japonica Partners had said the CNW Corp. special committee had rejected the $44-a-share merger offer, and that the partnership was considering its options.

CNW said Japonica was demanding a "break-up" fee of undisclosed size and stock options of an undisclosed amount if a better bid for CNW came along. CNW also said Japonica insisted that CNW agree to provisions which would pay Japonica more than $9 million in expenses, "even if Japonica's undisclosed bank refused to fund the transaction, or because of a number of other matters that could be outside of CNW's control."

2:18 PM

On May 9, 1989, Japonica Partners delivered the following letter to Mr. C.J. Gauthier, Chairman of the Special Committee:

VIA TELECOPY

May 9, 1989

MR. C.J. GAUTHIER
Chairman
Special Committee of
CNW Corporation Directors

Dear Mr. Gauthier:

We fail to understand how, consistent with its obligations to CNW's current shareholders, the Special Committee could reject our merger proposal locking in $44.00 per share of value for shareholders over the issue of postponing for 30 days the upcoming shareholder vote.

Subsequent to the record date for the May 16 annual meeting, more than 18 million CNW shares have traded. Japonica Partners and your new shareholder constituency believe that value for shareholders can best be realized through a sale of the Company. Your shareholders should have the opportunity to judge and vote upon the Board's performance in this regard. As the Special Committee has indicated that it is negotiating with several prospective purchasers, the additional time helps assure that the Special Committee is fulfilling its fiduciary responsibilities.

Japonica Partners' board nominees have a straightforward platform to—conduct an efficient process to sell the Company to the highest bidder. If the Special Committee were to adopt this platform—with accountability to shareholders—CNW and Japonica Partners could enter into a merger agreement at $44.00 per share with a 30-day period in which higher bids could be sought by the current Board.

Please let us know as promptly as possible how the Special Committee believes we can proceed.

Very truly yours,

C. HOWARD HARDESTY

cc: C.L. Pecchenino
P.B. Kazarian, Ltd.

On May 12, 1989, Japonica Partners issued a press release announcing its intention to commence the Offer. On May 16, 1989, the Purchaser commenced the Offer.

12. **Purpose of the Offer and the Merger.**

Purpose of the Offer and the Merger. The purpose of the Offer is to enable the Purchaser to acquire control of, and the entire equity interest in, the Company. The purpose of the Merger is to acquire all outstanding Shares not acquired pursuant to the Offer or otherwise.

Proxy Solicitation. In addition to commencing this Offer, Japonica Partners is soliciting proxies from the shareholders of the Company to elect the Nominees to the Board of Directors of the Company at the Annual Meeting and to vote on certain other matters. If elected, the Nominees are committed to having the Company seek to effect a merger, tender offer or similar transaction. If elected, the Nominees will, among other things, cause a special committee composed of three of the Nominees not otherwise affiliated with the Acquirors to be constituted, who will retain an independent financial advisor, to review both the Offer and the Merger as well as any other bona fide acquisition proposals. If no offer is received which, in the judgment of the Nominees in the exercise of their fiduciary duties, is more favorable to the Company's shareholders than the Offer and the Merger, the Nominees intend to recommend acceptance of the Offer and the Merger by appropriate means, including by entering into a merger agreement with the Purchaser. If the conditions to the Offer are satisfied (See Section 17) prior to the announcement of the results of the election of directors at the Annual Meeting, the Purchaser intends to accept the Shares for payment.

The Merger. The Acquirors intend, as soon as practicable after the consummation of the Offer to propose and seek to have the Company consummate the Merger with the Purchaser or another wholly owned subsidiary of Parent. The Acquirors intend that in the Merger, (a) each then outstanding Share not owned by the Acquirors or any of their respective affiliates (other than Treasury Shares or Shares owned by shareholders who perfect their appraisal rights under Delaware law) will be converted into a right to receive shares of Preferred Stock, which it is anticipated will have a market value (on a fully distributed basis) equal to $44.00 per Common Share and $34.11 per share of Convertible Preferred, (b) each then outstanding Share owned by the Acquirors or any of their respective affiliates and Treasury Shares will be cancelled and (c) the shares of common stock, par value $.01 per share, of the Purchaser or another wholly owned subsidiary of Parent will become the shares of common stock of the Surviving Corporation.

The Purchaser believes that, if elected, the Nominees currently intend to seek to redeem the Rights and take such other action as is necessary to remove any impediments to the Merger. Although the Acquirors intend to seek consummation of the Merger as soon as practicable following the purchase of Shares pursuant to the Offer, the outcome of the proxy solicitation and certain terms of the Rights may affect the ability of the Acquirors to obtain control of the Company and to consummate the Merger. In addition, the Preferred Stock to be issued in connection with the Merger or other business combination would be registered under the Securities Act, and would be offered by means of a prospectus which would also constitute a proxy statement or information statement for a meeting of shareholders to approve any such Merger or business combination. The registration process may also delay consummation of the Merger. Although the Acquirors presently intend to propose the Merger generally on the terms described above, it is possible that, as a result of substantial delays in the Acquirors' ability to effect such a transaction, information hereafter obtained by the Acquirors, changes in general economic or market conditions or in the business of the

Company, the Rights Condition and/or the Section 203 Condition not being satisfied, the applicability of certain of the matters described below, or other presently unforeseen factors, such a transaction may not be proposed, may be delayed or abandoned or may be proposed on different terms.

Required Vote. Under the GCL the Merger would generally require the approval of the Board of Directors of the Company and the affirmative vote of holders of at least a majority of the outstanding Common Shares of the Company, subject to Section 203 and the supermajority provisions contained in the Certificate. If the Nominees are elected and the Offer is thereafter consummated (without any waiver of the Minimum Condition), the Nominees would approve the Merger and the Purchaser could approve the Merger without the affirmative vote of any other shareholder. If the existing Board of Directors remains in office following the consummation of the Offer and does not approve the Merger, and if the "short form" merger provisions of the GCL discussed below are inapplicable, the Purchaser, in order to consummate the Merger, would, subject to Section 203, first have to elect a majority of the Company's Board of Directors. Thereafter, the Purchaser could approve the Merger without the affirmative vote of any other shareholder subject to the provisions of the Certificate discussed below.

Short Form Merger. The GCL provides that, if a corporation owns 90% or more of the outstanding shares of each class of capital stock of another corporation, the corporation holding such stock ownership may merge such other corporation into itself or itself into such other corporation, without any action or vote on the part of the board of directors or shareholders of such other corporation. If after consummation of the Offer the Purchaser beneficially owns 90% or more of the outstanding Common Shares and of the outstanding Convertible Preferred shares, Section 203 would be satisfied, and the "short form" merger provision of the GCL would permit the Purchaser to consummate the Merger without any action or vote by the Company's Board of Directors or shareholders. If a "short form" merger is available, the Purchaser currently intends to consummate a "short form" merger in order to effect the Merger.

The Certificate. The Purchaser believes that, if the Minimum Condition is satisfied, the Merger will comply with Article 9 of the Certificate as described below. Article 9 of the Certificate requires the affirmative vote of the holders of not less than 80% of the outstanding Common Shares to approve any merger, consolidation or other business combination with a Related Person. This supermajority vote does not apply to a transaction with a Related Person if either:

(a) the transaction is approved by a majority vote of the "Continuing Directors," defined as any director (i) who is unaffiliated with the Related Person and who was a member of the Board prior to the time that the Related Person became a Related Person, or (ii) any successor of a Continuing Director who is unaffiliated with the Related Person and is recommended or elected to succeed a Continuing Director by a majority of Continuing Directors, provided that such recommendation or election shall only be effective if made at a meeting at which six Continuing Directors are present.

(b) The transaction is of a certain specified type and the holders of Voting Stock receive in such transaction consideration (i) in cash or in the same form as the Related Person paid to acquire its shares of Voting Stock (or the largest number thereof) in the two-year period ending on the date it became a Related Person, and (ii) in an amount equal to the higher of the per share price paid by the Related Person during such two-year period or in the transaction in which it became a Related Person.

A merger, consolidation or other business combination with a Related Person is permitted by Article 9 of the Certificate only if the transaction is approved by holders of at least 80% of the Voting Stock of the Company, the transaction is approved by a majority vote of the Continuing Directors, or the transaction meets the requirements of paragraph (b) above, referred to herein as the "Price Provisions." If the Purchaser acquires 80% of the outstanding Common Shares (pursuant to the Offer or otherwise), it would have a sufficient number of Common Shares to satisfy the supermajority vote

provisions contained in the Certificate. In addition, the Nominees may qualify as Continuing Directors for the purpose of approving a transaction under Article 9 of the Certificate, provided the Purchaser does not become a Related Person before their election. However, the Purchaser does not believe that the Merger, as currently proposed will comply with the Price Provisions. Further, if the Nominees are elected after the Purchaser becomes a Related Person, there would be no Continuing Directors. In such event, the two remaining means by which a merger, consolidation or other business combination with a Related Person could be effected by the Company would be by the approval of 80% or more of the Voting Stock of the Company, or compliance with the Price Provisions. The Purchaser believes that the election of the Nominees under such circumstances would not, however, inhibit the Merger to the extent the Purchaser owns 80% or more of the Common Shares upon consummation of the Offer. If, however, the Minimum Condition was waived and the Purchaser owned less than 80% of the Common Shares upon consummation of the Offer, the election of the Nominees after the Purchaser becomes a Related Person could inhibit the consummation of transactions with the Purchaser or other Related Persons because such transactions could no longer be approved simply by approval of the Continuing Directors. The Purchaser believes that the Offer and Merger as presently structured can be consummated in compliance with Article 9 whether or not the Nominees are elected after the Purchaser becomes a Related Person.

The foregoing summary of certain provisions of the Certificate is qualified by reference to the text of the Certificate, a copy of which is included as an exhibit to the 1988 Form 10-K, which may be obtained in the manner set forth in Section 9.

Section 203. The Company is incorporated under the laws of the State of Delaware. Section 203 regulates certain business combinations involving a Delaware corporation and persons owning 15% or more of such corporation's voting stock. In general, Section 203 would prevent an "Interested Shareholder" (defined as a person owning directly or through an affiliate or associate 15% or more of a corporation's voting stock) from engaging in a "Business Combination" (defined as a variety of transactions, including mergers, as set forth in the following paragraph) with a Delaware corporation for three years following the date such person became an Interested Shareholder unless: (i) before such person became an Interested Shareholder, the board of directors of the corporation approved the Business Combination or the transaction in which the Interested Shareholder became an Interested Shareholder; (ii) upon consummation of the transaction which resulted in the Interested Shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding for the purposes of determining the number of shares outstanding those shares owned by directors who are also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether plan shares will be tendered in a tender or exchange offer); or (iii) following the transaction in which such person became an Interested Shareholder, the Business Combination is (x) approved by the board of directors of the corporation and (y) authorized at a meeting of shareholders by the affirmative vote of the holders of two-thirds of the outstanding voting stock of the corporation not owned by the Interested Shareholder.

Section 203 provides that during such three year period the corporation may not merge or consolidate with an Interested Shareholder or any affiliate or associate thereof and also may not engage in certain other transactions with an Interested Shareholder or any affiliate or associate thereof, including, without limitation, (i) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets, except proportionately to all shareholders, having an aggregate market value equal to 10% or more of the aggregate market value of all assets of the corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the corporation; (ii) any transaction which results in the issuance or transfer by the corporation or by certain subsidiaries thereof of any stock of the corporation or of such subsidiaries to the Interested Shareholder, except pursuant to a transaction which effects a pro rata distribution to all shareholders of the corporation; (iii) any transaction involving the corporation or certain subsidiaries thereof which has the effect of increasing the proportionate share of the stock of any class or series, or securities convertible into the

BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTIONS ONLY

☐ CHECK HERE IF TENDERED SHARES AND/OR RIGHTS ARE BEING DELIVERED BY BOOK ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN A BOOK ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK ENTRY TRANSFER):

Name of Tendering Institution _____

Check Box for Applicable Account:

☐ DTC ☐ MSTC or ☐ PDTC (check one)

Account Number _____

Transaction Code Number _____

☐ CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which Guaranteed Delivery _____

Check Box for Applicable Account if Delivery by Book Entry Transfer:

☐ DTC ☐ MSTC or ☐ PDTC (check one)

Account Number (if delivered by Book Entry Transfer) _____

DESCRIPTION OF SHARES TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate(s) Tendered (Attach additional signed list if necessary)		
	Certificate Number(s)*	Total Number of Shares Represented by Certificates*	Number of Shares Tendered**
	Total Shares		

* Need not be completed by Book Entry Shareholders.
** Unless otherwise indicated, it will be assumed that all Shares evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

DESCRIPTION OF RIGHTS TENDERED*

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Rights Tendered (Attach additional signed list if necessary)		
	Certificate Number(s)**	Total Number of Rights Represented by Certificate(s)**	Number of Rights Tendered***
	Total Shares		

* If the tendered Rights are represented by separate certificates, complete using the certificate numbers of such Rights certificates. If the tendered Rights are not represented by separate certificates, or if such certificates have not been distributed, complete using the certificate numbers of the Shares with respect to which Rights were issued. Shareholders tendering Rights that are not represented by separate certificates should retain a copy of this description in order to accurately complete the Letter of Transmittal Supplement when certificates for Rights are received.
** Need not be completed by Book Entry Shareholders.
*** Unless otherwise indicated, it will be assumed that all Rights evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

stock of any class or series, of the corporation or any such subsidiary which is owned directly or indirectly by the Interested Shareholder (except as a result of immaterial changes due to fractional share adjustments); (iv) any merger or consolidation of the corporation or any direct or indirect majority-owned subsidiary of the corporation with (A) the Interested Stockholder, or (B) with any other corporation if the merger or consolidation is caused by the Interested Stockholder and as a result of such merger or consolidation, Section 203 is not applicable to the surviving corporation; or (v) a receipt by the Interested Shareholder of the benefit (except proportionately as a shareholder of such corporation) of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

Section 203 would appear to be applicable to the Merger to be proposed by the Purchaser if its Offer is consummated if, subject to certain exceptions, the Purchaser becomes an Interested Shareholder pursuant to the Offer or otherwise, unless, among other things, (i) prior to the date that the Purchaser becomes an Interested Shareholder, the Company's Board of Directors approves the Merger or the transaction which resulted in the Purchaser becoming an Interested Shareholder or (ii) upon consummation of the Offer, the Purchaser owns at least 85% of the Common Shares outstanding at the time the transaction commenced, calculated as described above. The Purchaser is not now an Interested Shareholder.

Section 203 would not be applicable to the Merger if the Company's Board of Directors approves the Offer or the Merger before consummation of the Offer. If the Nominees are elected and the Offer is not yet consummated, the Nominees intend to grant Section 203 approval to the Purchaser or to another potential acquiror, subject to their fiduciary obligations, in order to facilitate a prompt negotiated acquisition of the Company. The Nominees would be unable to grant such approval to the Purchaser if the Purchaser becomes an Interested Shareholder prior to the installation of the Nominees as directors. However, Section 203 would not be applicable to the Merger if the Merger were approved by at least two-thirds of the Voting Stock of the Company not owned by the Purchaser. The Purchaser does not intend to become an Interested Shareholder of the Company prior to the installation of the Nominees unless the Purchaser is granted Section 203 approval by the current Board of Directors, or the Purchaser acquires 85% or more of the outstanding Common Shares, in which event it would no longer be necessary to obtain Section 203 approval.

According to information derived from publicly filed documents, directors who are also officers of the Company own approximately 205,610 Common Shares. The Purchaser understands that the Company does not have any employee stock plans of the type described in Section 203. Based on such filings and assuming that the Company does not have any such employee stock plans, Section 203 would not be applicable to the Merger by its terms if the Purchaser satisfies the 85% Condition upon consummation of the Offer.

Section 203(b)(6) provides that the restrictions of Section 203 will not apply to any Business Combination which is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under Section 203 of a proposed Business Combination which is a (i) merger or consolidation of the corporation, subject to certain exceptions, (ii) sale, lease, exchange, mortgage, pledge, transfer or other disposition of at least 50% of the assets of the corporation, or any subsidiary, calculated in accordance with that provision, or (iii) tender or exchange offer for 50% or more of the outstanding voting stock of the corporation; *provided, however,* that such other proposed Business Combination is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the corporation's Board of Directors, and is approved or not opposed by a majority of *the members of the Board of Directors then in office (but not less than one) who were directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.*

The effect of Section 203(b)(6) is to exempt all Business Combinations during the pendency of one of the types of proposed Business Combinations specified in Section 203(b)(6), if the shareholder

involved in such proposed Business Combination meets the requirements of such provision and such proposed Business Combination is approved by a majority of those board members specified in the provision. The Nominees could grant such approval unless the Purchaser or any other person becomes an Interested Shareholder prior to the date the Nominees become directors. Since the Nominees intend, subject to their fiduciary obligations, to approve the transaction proposed by the Purchaser or by another potential acquiror of the Company in order to facilitate a negotiated transaction with such acquiror, Section 203(b)(6) would exempt proposed Business Combinations during the pendency of such negotiated transaction unless such approval does not satisfy the provisions of Section 203(b)(6) because the Company has an Interested Shareholder which became such within three years prior to the installation of the Nominees. Thus, Section 203(b)(6) may have the effect of exempting all proposed Business Combinations during the time period after the Nominees have granted Section 203 approval to a proposed acquisition and before the acquiror's purchase of the Company or termination of its acquisition proposal. In addition, Section 203(b)(6) would have the effect of exempting the Offer and the Merger from Section 203 in the event the Company granted approval with respect to a transaction involving a third party.

The provisions of Section 203 could impede the ability of the Purchaser to effect the Merger promptly after consummation of the Offer. The Offer is conditioned, however, on the Purchaser being satisfied in its sole discretion that the restrictions on business combinations contained in Section 203 are inapplicable to the Merger (as a result of action by the Company's Board of Directors, the acquisition by the Purchaser of a sufficient number of Common Shares or otherwise). See this Section 12 and Section 17.

"Going Private" Transactions. Rule 13e-3 under the Exchange Act is applicable to certain "going private" transactions and may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which the Purchaser seeks to acquire the remaining Shares not held by it. Unless the Shares are deregistered under the Exchange Act prior to such transaction (see Section 7), the Purchaser will be required to comply with Rule 13e-3 unless, prior to consummation of the Offer, the Purchaser and the Company enter into a merger agreement satisfactory to the Purchaser. Rule 13e-3 requires, among other things, that certain financial information concerning the Company, and certain information relating to the fairness of the proposed transaction and the consideration offered to remaining shareholders in such a transaction, be filed with the Commission and disclosed to such shareholders prior to consummation of the transaction. In addition, if the Nominees were elected to the Board prior to consummation of the Merger, Rule 13e-3 may apply to the Merger, including a "short form" Merger under the GCL.

Appraisal Rights. Holders of Shares do not have appraisal rights as a result of the Offer. If the Merger is consummated, holders of Shares will have certain rights under Delaware law to dissent and to demand appraisal of, and payment in cash of the fair value of their Shares. Such rights, if the statutory procedures were complied with, could lead to a judicial determination of the fair value (excluding any element of value arising from the accomplishment or expectation of the Merger) of their Shares. Any such judicial determination of the fair value of such Shares could be based upon considerations other than or in addition to the market value of the Shares, including asset values and the investment value of the Shares. The value so determined could be more or less than the purchase price per Share paid pursuant to the Offer or the Merger.

The Merger also would need to comply with other applicable procedural and substantive requirements of Delaware law. Several decisions by Delaware courts have held that, in certain circumstances, a controlling shareholder of a corporation involved in a merger has a fiduciary duty to the other shareholders that requires the merger to be fair to such other shareholders. In determining whether a merger is fair to minority shareholders, Delaware courts have considered, among other things, the type and amount of consideration to be received by the shareholders and whether there were fair dealings among the parties. The Delaware Supreme Court indicated in *Weinberger* v. *UOP, Inc.* and *Rabkin* v. *Phillips A. Hunt Chemical Corp.* that the remedy ordinarily available to minority

shareholders in a cash-out merger is the right to appraisal described above. However, damages may be available if the merger is the product of procedural unfairness, including fraud, misrepresentation or other misconduct.

General. After completion or termination of the Offer, the Purchaser reserves the right to purchase additional Shares or Rights in the open market, in privately negotiated transactions, in another tender offer or exchange offer or otherwise. In addition, in the event that the Purchaser decides not to propose the Merger or other similar business combination with the Company, or proposes such a transaction but cannot promptly obtain any required approval, the Acquirors will evaluate their other alternatives. Such alternatives could include purchasing additional Shares or Rights in the open market, in privately negotiated transactions, in another tender offer or exchange offer or otherwise, or taking no further action to acquire additional Shares or Rights. Any additional purchases of Shares or Rights could be at a price greater or less than the price to be paid for Shares and Rights in the Offer and could be for cash or other consideration. Alternatively, the Acquirors may sell or otherwise dispose of any or all Shares or Rights acquired pursuant to the Offer or otherwise. Such transactions may be effected on terms and at prices then determined by the Acquirors, which may vary from the price paid for Shares and Rights in the Offer.

13. **Plans for the Company.**

If the Acquirors obtain control of the Company, the Acquirors' intention is to manage the freight railroad operations of the Company, including Western Railroad Properties, Incorporated, while working cooperatively with the employee unions to maintain and improve operations and service for the Company's customers. The assets the Acquirors are considering selling are only those which are not essential to the Company's freight business, such as certain real estate, excess equipment and the commuter lines.

If the Acquirors obtain control of the Company, the Acquirors also intend to conduct a detailed review and analysis of the Company, and based on such review and analysis, to consider what other actions would be desirable. Such actions may include, in addition to those described elsewhere in this Offer to Purchase: a restructuring of the Company, sales of certain of the Company's assets and changes in the articles of incorporation, by-laws, capitalization, board of directors, management and dividend policy of the Company.

The Acquirors currently intend not to take actions which would require payments under the recently adopted senior management severance agreements and currently intends to review the propriety and enforceability of such agreements. See Section 14 for a description of Japonica Partners' counterclaims seeking, among other things, the invalidation of the senior management severance agreements.

If Japonica Partners obtains control of the Company, Japonica Partners anticipates that Mr. Hardesty will serve as Chairman of the Board; that Messrs. Pecchenino and Kazarian will each serve as Vice Chairman of the Board; that Mr. Henry Borgsmiller will serve as Chief Operating Officer of the railroad; and that Mr. Vlasin, and one or more other nominees and possibly other highly qualified rail executives, as well as Mr. Lederman, may become actively involved in the management of the Company. Japonica Partners has paid each of Messrs. Campbell, Hardesty, Pecchenino and Vlasin in consideration for his time and effort involved in service as a nominee a one time fee of $12,500. If Japonica Partners obtains control of the Company, Japonica Partners intends to retain Mr. Shepherd as special counsel to the Company with respect to Interstate Commerce Commission and certain other regulatory and Congressional matters, for which Mr. Shepherd will receive customary and reasonable compensation. Japonica Partners has advised the Nominees that if they are elected as new directors of the Company, Japonica Partners would expect that the new directors would receive director fees roughly comparable to the director fees currently paid by the Company.

Based on their study of the Company, the Acquirors currently believe that certain steps could be taken to enhance the profitability of the Company and, if they are successful in obtaining control of the Company, they would also seek to:

- work with the employee unions to maintain and improve operations and service.
- accelerate and maximize corporate-level efficiencies and executive operations.
- expand revenue growth from the Powder River Basin with more aggressive marketing.
- actively pursue and maximize the value of secondary trackage routes.
- sell assets not essential to the Company's freight business, such as certain real estate, excess equipment and the commuter lines.
- consider joint ventures, asset sales to employees, and other divestiture alternatives.

14. **The Rights; Litigation.**

Rights. On October 31, 1988, the Board of Directors of the Company adopted a Rights Agreement, pursuant to which the Board of Directors declared a dividend of one Right for each outstanding Common Share. The following description of the Rights is taken from the Rights Agreement (and the exhibits thereto) filed as an exhibit to the Form 8-K.

On October 31, 1988, the Board of Directors declared a dividend of one Right on each outstanding Common Share for shareholders of record on November 11, 1988. Each Right will entitle the holder thereof to buy one Common Share at an exercise price of $90 per Common Share, subject to adjustment. The Rights will be represented by certificates and will not be exercisable, or transferable apart from the Common Shares, until the earlier of (i) the tenth day after public announcement that a person or group ("Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the Common Shares (the "Share Acquisition Date"), or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors) after a person commences, or announces an intention to commence, a tender offer for a number of Common Shares which, together with the Common Shares beneficially owned by such person prior to such announcement or commencement, would constitute 20% or more of the Common Shares (the earlier of such dates being called the "Distribution Date"). Separate certificates for the Rights will be mailed to holders of the Common Shares as of such date. The Rights could then begin trading separately from the Common Shares.

If, at any time following the Distribution Date, (i) a Person (other than the Company and its affiliates) becomes the beneficial owner of more than 20% of the then outstanding Common Shares (except pursuant to a cash tender offer for all outstanding Common Shares pursuant to which the ownership interest of a Person, together with the ownership interest of the affiliates and associates of such person, increases from less than 20% to 85% or more of the Common Shares then outstanding), or (ii) during such time as there is an Acquiring Person, there shall be a reclassification of securities or a recapitalization or reorganization of the Company or other transaction or series of transactions involving the Company which has the effect of increasing by more than 1% the proportionate share of the outstanding Common Shares of any class of equity securities of the Company or any of its subsidiaries beneficially owned by the Acquiring Person, the Rights Agreement provides that each holder of a Right will thereafter have the right to receive, upon exercise, Common Shares of the Company having a value equal to two times the exercise price of the Right.

If, at any time following the Distribution Date, (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation, (ii) the Company engages in a merger or other business combination transaction with another person in which the Company is the surviving corporation, but in which its Common Shares are changed or exchanged, or (iii) 50% or more of the Company's assets or earning power is sold or transferred, the Rights Agreement provides that proper provisions shall be made so that each holder of a Right shall

thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. Notwithstanding any of the foregoing, following the occurrence of any of the events set forth in this paragraph and the preceding paragraph (the "Triggering Events"), any Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person shall immediately become null and void.

At any time after the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 20% or more of the outstanding Common Shares of the Company, and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares of the Company, the Board of Directors of the Company may cause the exchange of the Rights (other than Rights owned by such person or group), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment).

At any time after the date of the Rights Agreement until any Person becomes an Acquiring Person, the Company may redeem the Rights in whole, but not in part, at a price of $.01 per Right (the "Redemption Price"). Thereafter, the Company's right of redemption may be reinstated if an Acquiring Person reduces his beneficial ownership to 10% or less of the outstanding Common Shares in a transaction or series of transactions not involving the Company.

Subject to certain conditions, the terms of the Rights Agreement may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower the threshold of exercisability of the Rights from 20% to not less than the greater of (i) any percentage greater than the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan) and (ii) 15%.

The Rights will expire on November 11, 1998 (unless sooner redeemed). They will not have any voting rights. The First National Bank of Chicago is the Rights Agent.

The purchase price payable, and the number of Common Shares or other securities issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Common Shares (ii) as a result of the grant to holders of the Common Shares of certain rights or warrants to subscribe for the Common Shares or convertible securities at less than the current market price of the Common Shares or (iii) as a result of the distribution to holders of the Common Shares of evidences of indebtedness or assets (excluding cash dividends) or of subscription rights or warrants (other than those referred to above). With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in such purchase price.

Unless the Rights are redeemed by the Company's Board of Directors or invalidated by judicial determination, pursuant to the terms of the Rights Agreement, the making of the Offer will cause the Rights to become exercisable. On May 4, 1989, the Purchaser commenced litigation seeking, among other things, to have the Rights declared invalid. The Purchaser believes that the Board of Directors of the Company has a fiduciary duty to redeem the Rights in light of the Offer.

If elected and if the Rights have been issued, the Nominees intend to seek to cause the Company to redeem the Rights at a price of $.01 per Right in connection with the consummation of a negotiated acquisition. The redemption of the Rights by the Company's present Board of Directors would satisfy the Rights Condition to the Offer.

If the Rights Condition is not satisfied and the Purchaser elects, in its sole discretion, to waive the Rights Condition and consummate the Offer, the provisions of the Rights Agreement might result in the Merger being substantially delayed or might make the Merger or any other business combination impracticable. The form and amount of consideration to be received by the holders of Shares in

the Merger, if consummated, might be subject to adjustment to compensate the Purchaser for, among other things, the costs of acquiring Rights and a portion of the potential dilution cost of Rights not owned by the Purchaser and its affiliates at the time of the Merger. In such event, the value of the consideration to be exchanged for Shares in the Merger could be substantially less than the consideration paid in the Offer. In addition, the Purchaser may elect not to consummate the Merger.

If the Rights Condition is not satisfied and the Purchaser elects, in its sole discretion, to waive the Rights Condition and consummate the Offer, and if there are outstanding Rights which have not been acquired by the Purchaser, the Purchaser will evaluate its alternatives. Such alternatives could include purchasing additional Rights in the open market, in privately negotiated transactions, in another tender or exchange offer or otherwise, or requesting that a Special Meeting of Shareholders be held in order to increase the likelihood that the Merger could be effected on terms acceptable to the Purchaser. Any such additional purchase of Rights could be for cash or other consideration.

Unless the Rights Condition is satisfied or waived shareholders are required to tender one Right for each Common Share tendered to effect a valid tender of such Common Share in accordance with the procedures set forth in Section 3 of this Offer to Purchase.

Litigation. On March 16, 1989, Japonica Partners learned that the Company filed a complaint (the "Complaint") instituting an action against it, PBK Ltd., Kazarian, MGL Ltd., Lederman, and each of the Partnerships (collectively, the "Defendants") in the United States District Court for the District of Delaware. On March 28, 1989, the Company filed an amended complaint (the "Amended Complaint"), which includes all the allegations in the Complaint, against the Defendants.

The Complaint alleges, among other things, that Japonica Partners' Statement on Schedule 13D is false and misleading in that it (i) fails to disclose a plan by Defendants to "seize control" of the Company, (ii) fails to attach as exhibits certain documents, such as documents relating to the alleged plan to take control of the Company and the limited partnership agreements entered into by certain of the Defendants, (iii) is so vague and evasive as to its plans and is so incomplete that it provides no meaningful information, and (iv) fails to disclose information with respect to Michael G. Lederman. The Complaint seeks preliminary injunctive relief, including ordering Michael G. Lederman to file a Schedule 13D, barring the Defendants from engaging in transactions in Company shares for a period of 30 days after the filing of a corrected amended Schedule 13D, barring the Defendants from voting at the 1989 Annual Meeting of the Company any of the Shares it has acquired or may acquire, enjoining the Defendants from future violations of federal securities laws, ordering the Defendants to offer rescission of purchases, or to sell, all Shares of Common Stock it acquired after March 13, 1989 and the filing of a corrected amended Schedule 13D.

The Amended Complaint includes all the allegations of the Complaint, and additionally alleges that the Japonica Partners' Statement on Schedule 13D is false and misleading in that it (i) fails to accurately describe the method by which Japonica Partners acquired Shares of the Company; (ii) fails to state the identities of filing persons who effected transactions in securities of the Company during the sixty days prior to filing their Schedule 13D; (iii) fails to adequately describe the limited partnership agreements by not naming the limited partners; and (iv) fails to provide information about the limited partners allegedly required by Item 4 and General Instruction C of Schedule 13D. Additionally, the Amended Complaint alleges that the Schedule 14B filed by Japonica Partners is false and misleading in that it fails to disclose contracts, arrangements or understandings between Japonica Partners and other persons made within the past year with respect to the Company's Common Stock. The Amended Complaint, in addition to the injunctive relief requested in the Complaint, also seeks a preliminary injunction requiring the filing of a corrected amended Schedule 14B and barring Japonica Partners from soliciting proxies until at least five days after the filing of a fully corrected Schedule 14B.

Japonica Partners filed a motion to dismiss the counts in the Amended Complaint, or alternatively for summary judgment. On April 14, 1989, the U.S. District Court for the District of Delaware (the "Court") ruled in favor of Japonica Partners, finding that the Company had not established a

likelihood of success on its claims and denying all of the preliminary relief sought by the Company. In denying the Company's motion, the Court found that Japonica Partners had adequately disclosed all of its plans, including its plan to obtain financing to acquire control of the Company. Japonica Partners' motion for summary judgment was taken under advisement pending completion of additional discovery; however, its motion to dismiss the Amended Company was denied.

On April 18, 1989, the Company filed a notice of appeal of the April 14, 1989 Court decision on the Company's motion for a preliminary injunction in the Third Circuit Court of Appeals. On May 10, 1989, the United States Court of Appeals for the Third Circuit issued an order requiring, among other things, the Defendants to disclose the names of the limited partners of the Partnerships and affirming the lower court decision in favor of Japonica Partners in all other respects.

The Defendants filed an amended answer and affirmative defenses and Japonica Partners and Paul B. Kazarian, and each of them, on their own behalf and on behalf of the Company, filed counterclaims against Robert W. Schmiege, Eugene P. Berg, John M. Butler, W.H. Clark, C.J. Gauthier, Frederick C. Langenberg, James V. Springrose, David R. Hinson, Ronald Cuchna, James A. Zito, James P. Daley, Jerome W. Conlon, James M. Foote, Robert D. Smith, and the Company. Japonica Partners and Mr. Kazarian allege, among other things, violations of Section 14 of the Exchange Act and the rules promulgated thereunder in connection with the Company's materially false and misleading Proxy Statement for the 1989 Annual Meeting, the issuance of a materially false and misleading April 5 letter to CNW shareholders, the issuance of materially false and misleading press releases on May 1, 1989 and April 14, 1989, the filing by certain of the counterclaim defendants of materially false and misleading Schedules 14B in connection with the Company's 1989 Annual Meeting, breaches of fiduciary duties by the directors of the Company, and claims of waste, mismanagement and negligence by the directors of the Company. The relief sought in the counterclaim, includes, among other things, preliminarily and permanently (i) enjoining the defendants from voting in person or by proxy any CNW proxies acquired during the period of violations of law, soliciting any proxies until corrective disclosure is made and violating the securities laws in the future, (ii) ordering the defendants to correct their false and misleading proxy soliciting material and press releases, (iii) ordering that the Company postpone its presently scheduled 1989 Annual Meeting until a reasonable time after corrective disclosure is made, (iv) issuing an order invalidating any proxies voted or to be voted by the Company at the 1989 Annual Meeting which were obtained based upon false and misleading proxy materials, (v) invalidating the Shareholder Rights Plan and certain other executive management bonus plans and agreements and (vi) ordering defendants to negotiate in good faith with Japonica Partners. The relief sought also includes damages and costs and expenses of the litigation, including reasonable attorney and expert fees and such other and further relief as the Court deems just and proper. On May 4, 1989, the Defendants filed a motion alleging, among other things, that the Company had issued false and misleading proxy soliciting materials. The motion seeks, among other things, (i) ordering an adjournment of the Company's 1989 annual meeting to a later date; (ii) ordering the Company to set a new record date for the annual meeting; (iii) enjoining the Company from voting in person or by proxy any Company proxies acquired during the period of violations of law and soliciting any proxies until corrective disclosure is made; and (iv) ordering the Company to correct its false and misleading proxy soliciting material. A hearing on the motion was heard by the Court on May 15, 1989. The Court indicated a decision would be issued prior to the meeting on May 16, 1989.

15. Certain Legal Matters and Regulatory Approvals.

Except as described in this Section 15, Parent and the Purchaser are not aware of any license or other regulatory permit which appears to be material to the business of the Company and its subsidiaries taken as a whole and which is likely to be adversely affected by the Purchaser's acquisition of Shares pursuant to the Offer or of any approval or other action by any domestic or foreign governmental or administrative agency that would be required prior to the acquisition of Shares by the Purchaser pursuant to the Offer. Should any approval or other action be required, the

Purchaser presently intends to seek such approval or take such action (except as described below under "State Takeover Laws"). The Purchaser does not presently intend to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such action or receipt of such approval (subject to the Purchaser's right to decline to purchase Shares if any of the conditions in Section 17 shall not have been satisfied). There can be no assurance that any such approval or action, if needed, would be obtained, or if obtained, that it will be obtained without having to satisfy substantial conditions or in the event that such approvals were not obtained or such other actions were not taken that adverse consequences might not result to the Company or its affiliates' business or other substantial conditions might not have to be complied with in order to obtain such approval or other action. The Purchaser's obligations under the Offer are subject to certain conditions, among them conditions which might not be satisfied if there were a failure to obtain regulatory approval and such failure were material. See Section 17.

Interstate Commerce Commission. Certain activities of the Company and its subsidiaries are regulated by the Interstate Commerce Commission (the "ICC"). Provisions of the Interstate Commerce Act require approval of, or the granting of an exemption from approval by, the ICC for the acquisition of control of two or more carriers subject to the jurisdiction of the ICC ("Carriers") by a person that is not a Carrier and for the acquisition or control of a Carrier by a person that is not a Carrier but that controls any number of Carriers. The Purchaser believes that there is no requirement for approval by the ICC of a purchase of the Shares pursuant to the Offer. During the week of May 9, 1989, at the request of certain senators, the ICC held a hearing to consider the impact of the sale of the Company to Japonica Partners or others. As of the date hereof, the ICC had not reported its findings.

State Takeover Laws. A number of states (including Delaware, where the Company is incorporated) have adopted takeover laws which by their terms are applicable to attempts to acquire securities of corporations which are incorporated in such states, or whose business operations have substantial economic effects in such states or have substantial assets, security holders, principal executive offices or principal places of business therein. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. The Purchaser does not know whether any of these statutes (other than Section 203 of the GCL) will, by their terms, apply to the Offer, and has not complied with any such statutes. To the extent that certain provisions of these state takeover statutes purport to apply to the Offer, the Purchaser believes that such laws conflict with Federal law and constitute an unconstitutional burden on interstate commerce. In *Edgar* v. *MITE Corporation*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Act, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. In *CTS Corp.* v. *Dynamics Corp. of America*, however, the Supreme Court held that a state may, as a matter of corporate law and, in particular, as a matter of that part of corporate law concerning corporate governance, constitutionally disqualify a potential acquiring person from voting on the affairs of a target corporation without the prior approval of the remaining shareholders, provided that such disqualification is applicable only under certain conditions, in particular, that the corporation has a substantial number of shareholders in the state and is incorporated there. If any person should seek to apply any state takeover statute, the Purchaser would take such action as then appears desirable, which action may include challenging the validity or applicability of any such statute in appropriate court proceedings. If it is asserted that one or more takeover statutes apply to the Offer, and it is not determined by an appropriate court that such statute or statutes do not apply or are invalid as applied to the Offer, the Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities, and the Purchaser might be unable to purchase or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment or pay for Shares tendered pursuant to the Offer. See Section 17.

Delaware. See Section 12 for a discussion of Section 203. The Offer is conditioned on the Section 203 Condition being satisfied.

Other States. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. The Offer is being made without compliance by the Purchaser with certain other state takeover statutes that may purport to apply to the Offer. See Section 17 for certain conditions of the Offer, including conditions with respect to court and governmental actions. In such event, the Purchaser would be entitled, among other things, to terminate the Offer or amend the terms and conditions of the Offer.

Antitrust. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), certain acquisitions may not be consummated unless certain information has been furnished to the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") and certain waiting period requirements have been satisfied. If the HSR Act were deemed applicable to the formation of the Purchaser, Parent or the Partnerships or to the acquisition of Shares pursuant to the Offer, the consummation of the Offer could be delayed until compliance therewith. See Section 17. However, the Acquirors believe that the HSR Act is inapplicable to the formation of the Purchaser, Parent or the Partnerships or to the acquisition of Shares pursuant to the Offer.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the proposed acquisition of Shares by the Purchaser pursuant to the Offer. At any time before or after the Purchaser's acquisition of Shares pursuant to the Offer the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the transaction or seeking divestiture of the Shares to be acquired or divestiture of substantial assets of the Purchaser, Parent and/or the Company. The Purchaser believes that its acquisition of Shares would not violate the antitrust laws. However, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or that, if such a challenge is made, the Purchaser will prevail.

Margin Regulations. Regulations G, U, T and X impose restrictions upon the extension of credit for the purpose of buying or carrying margin stock, if any margin stock directly or indirectly secures such credit and the credit is in an amount that exceeds 50% of the current market value of the margin stock securing the credit. In January 1986, the Board of Governors of the Federal Reserve System (the "Board") issued an interpretative release concerning Regulation G. The interpretation provides that the Board is of the view that the issuance of debt securities by a "shell" corporation to finance the acquisition of the margin stock of a target company is indirectly secured by the margin stock for purposes of restrictions on lending in the margin regulations. However, debt securities issued to finance an acquisition are not subject to the interpretative rule if, among other things, the acquisition is conditioned upon acquiring a sufficient number of shares to effect a short form merger under applicable state law or if there is a merger agreement between the acquiring and the target companies. If the Minimum Condition is satisfied, then, based on their understanding of Regulations G, U, T and X, published interpretations of such regulations by the Board, opinions issued by the Staff of the Board of Governors and other authorities, the Acquirors believe the financing arrangements described in Section 8 comply with Regulations G, U, T and X. A challenge to such financing arrangements alleging a violation of Regulations G, U, T or X, if adversely determined, could have an adverse effect on the Purchaser's ability to obtain funding sufficient to enable it to consummate the Offer under its existing financing commitments. See Section 17.

16. **Extension of Offer Period; Termination; Amendment.**

The Purchaser expressly reserves the right (but will not be obligated), in its sole discretion, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary and by making a public announcement of such extension. During any such extension, all Shares and Rights previously tendered and not accepted for

payment or withdrawn will remain subject to the Offer and may be accepted for payment by the Purchaser at the conclusion of the Offer, except to the extent such Shares may be withdrawn as set forth in Section 4. There can be no assurance that the Purchaser will exercise its right to extend the Offer. In addition, the Offer may be extended, amended or terminated upon the occurrence of any event described in Section 17.

If the Purchaser shall decide, in its sole discretion, to increase or decrease the number of Shares and Rights being sought or to increase or decrease the consideration offered in the Offer to holders of Shares and Rights and, at the time that notice of such increase or decrease is first published, sent or given to holders of Shares and Rights in the manner specified below, the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day following, and including, the date that such notice is first so published, sent or given, then the Offer will be extended until the expiration of such period of ten business days. If the Purchaser makes a material change in the terms of the Offer (other than a change in price or percentage of securities sought) or in the information concerning the Offer, or waives a material condition of the Offer, the Purchaser will extend the Offer, if required by applicable law, for a period sufficient to allow shareholders to consider the amended terms of the Offer. In a published release, the Commission has stated that in its view an offer must remain open for a minimum period of time following a material change in the terms of such offer and that the waiver of a condition such as the Minimum Condition, the Financing Condition, the Rights Condition or the Section 203 Condition is a material change in the terms of an offer. The release states that an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to securityholders, and that if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of 10 business days may be required to allow adequate dissemination and investor response. The term "business day" shall mean any day other than Saturday, Sunday or a federal holiday and shall consist of the time period from 12:01 A.M. through 12:00 Midnight, New York City time.

The Purchaser also expressly reserves the right (i) to terminate the Offer and not accept for payment or pay for any Shares and Rights not theretofore accepted for payment or paid for or to delay the acceptance for payment of, or payment for, any Shares and Rights validly tendered and not withdrawn, upon the occurrence of any of the conditions specified in Section 17, by giving oral or written notice of such termination or delay to the Depositary and (ii) at any time, or from time to time, to amend the Offer in any respect. Any extension, delay in payment, termination or amendment will be followed as promptly as practicable by public announcement thereof such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with the public announcement requirements of Rule 14d-4(c) and Rule 14d-6(d) under the Exchange Act. Without limiting the obligations of the Purchaser under such rules or the manner in which the Purchaser may choose to make any public announcement, the Purchaser currently intends to make announcements by issuing a release to the Dow Jones News Service and making any appropriate filing with the Commission.

If the Purchaser extends the Offer or if the Purchaser is delayed in its acceptance for payment of, or payment for, Shares and Rights or is unable to accept for payment or pay for Shares and Rights pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights pursuant to the Offer (including, without limitation, as set forth in this Section 16 and Section 17), the Depositary may nevertheless, on behalf of the Purchaser, retain tendered Shares and Rights subject to withdrawal rights as described in Section 4. The ability of the Purchaser to delay payment for Shares which it has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires any person making a tender offer to pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of a tender offer.

17. **Certain Conditions of the Offer.**

Notwithstanding any other provision of the Offer, the Purchaser shall not be required to accept for payment, purchase or pay for any Shares or Rights tendered and, in its sole discretion, may postpone the purchase of or payment for Shares or Rights tendered and to be purchased by the Purchaser, and, in its sole discretion, may terminate or amend the Offer if (i) any one or more of the Minimum Condition (or the entering into of a merger agreement satisfactory to Purchaser), the Rights Condition, the Section 203 Condition or the Financing Condition is not satisfied or (ii) on or after May 15, 1989 and at or before the Expiration Date any of the following events shall occur:

(a)(i) any change (or any condition, event or development involving a prospective change) shall have occurred or been threatened in the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses or franchises, results of operations or prospects of the Company or any of its subsidiaries or in general economic or financial market conditions, which, in the sole judgment of the Purchaser, is or may be materially adverse to the Company or its subsidiaries, or the value of the Shares to the Purchaser or (ii) the Purchaser shall have become aware of any fact, occurrence or proposed occurrence which, in the sole judgment of the Purchaser, is or may be materially adverse with respect to the value of the Company or its subsidiaries or the value of the Shares or the Company to the Purchaser, or

(b) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or the over-the-counter market in the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) a commencement of a war, armed hostilities or other national or international calamity directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any governmental or regulatory authority on, or any other event which, in the sole judgment of the Purchaser, might affect, the extension of credit by banks, other financial institutions or institutional investors, (v) a material adverse change in United States or any other currency exchange rates or a suspension of, or limitation on, the markets therefor, (vi) any significant adverse change in the price of the Shares or in the United States securities or financial markets, (vii) a material impairment in the trading market for debt securities not rated by Moody's or Standard & Poor's, or (viii) in the case of any of the foregoing existing at the time of the commencement of the Offer, in the sole judgment of the Purchaser, a material acceleration or worsening thereof; or

(c) the Company or any of its subsidiaries shall have, directly or indirectly, (i) issued, distributed, pledged or sold, or authorized, proposed or announced the issuance, distribution, pledge or sale of (A) any shares of capital stock of any class (including, without limitation, the Shares), or securities convertible into any such shares of capital stock of the Company or any other entity, or any rights (other than the Rights), warrants or options to acquire any such shares or convertible securities, other than Common Shares issued or sold upon the exercise (in accordance with the present terms thereof) of employee stock options outstanding on May 15, 1989, or the Convertible Preferred or (B) any other securities in respect of, in lieu of, or in substitution for, securities of the Company outstanding on the date hereof, (ii) purchased or otherwise acquired, or proposed or offered to purchase or otherwise acquire, or publicly announced a plan or intention to acquire, any outstanding Shares or other securities (other than redemption of the Rights), (iii) declared or paid any dividend or distribution on any shares of capital stock, or issued, or authorized or proposed the issuance of, any such dividend or distribution or any other distribution in respect of any securities of the Company (other than a dividend in the amount of $.10 per Common Share payable on July 24, 1989, to holders of record of Common Shares on July 14, 1989, the quarterly dividend on the Convertible Preferred payable on May 15, 1989, and any redemption of the Rights), whether payable in cash, securities or other property or altered or proposed to alter any material term of any outstanding security, (iv) issued any debt securities or securities convertible into or exchangeable for debt securities or any rights, warrants or options entitling the holder thereof to purchase or otherwise acquire any debt securities, or incurred any debt other than in the ordinary course of business and consistent

with past practice, (v) authorized, recommended, proposed or publicly announced its intention to enter into or effect (A) any merger, consolidation, liquidation, dissolution, business combination, acquisition of assets or securities or disposition of assets or securities or any agreement contemplating any of the foregoing or any comparable event not in the ordinary course of business, (B) any material change in its capitalization, (C) any release or relinquishment of any material contract rights or (D) any comparable event not in the ordinary course of business, (vi) taken any action to implement any such transaction previously authorized, recommended, proposed or publicly announced, (vii) proposed, adopted or authorized any amendment to the Certificate or the Company's By-Laws or similar organizational documents or the Purchaser shall have become aware that the Company or any of its subsidiaries shall have proposed or adopted any such amendment which shall not have been previously disclosed, (viii) authorized, recommended or proposed or announced its intention to authorize, recommend or propose any transaction or entered into any agreement or arrangement with any other party that in the Purchaser's opinion could adversely affect the value of the Shares, or (ix) agreed in writing to take any of the foregoing actions; or

(d) a tender offer or exchange offer for any Shares or Rights shall have been made or publicly proposed to be made by any other person (including the Company or any of its subsidiaries or affiliates), or it shall have been publicly disclosed or the Purchaser shall have learned that (i) any person, entity or "group" (as that term is used in Section 13(d)(3) of the Exchange Act) shall have acquired, or proposed to acquire, more than 5% of any class or series of capital stock of the Company (including the Shares or Rights), or shall have been granted any option or right, conditional or otherwise, to acquire more than 5% of any class or series of capital stock of the Company (including the Shares or Rights), other than acquisitions for bona fide arbitrage purposes and other than acquisitions by any person, entity or group which has publicly disclosed such ownership in a Schedule 13D or 13G (or an amendment thereto) on file with the Commission on or prior to May 15, 1989, (ii) any such person, entity or group which has publicly disclosed such ownership prior to such date shall have acquired or proposed to acquire more than 1% of any class or series of capital stock of the Company (including the Shares and Rights), (iii) any new group shall have been formed which beneficially owns more than 5% of any class or series of capital stock of the Company (including the Shares and Rights), (iv) any person, entity or group shall have entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender offer or exchange offer for any shares of capital stock of the Company or a merger, consolidation or other business combination with or involving the Company or (v) any person shall have filed a Notification and Report Form under the HSR Act or made a public announcement reflecting an intent to acquire the Company or assets or securities of the Company; or

(e) the Company and the Purchaser shall have reached an agreement or understanding that the Offer be terminated or amended or the Purchaser or any of its affiliates shall have entered into a definitive agreement or announced an agreement in principle with the Company providing for a merger or business combination with the Company; or

(f) there shall have been threatened, instituted or pending any action or proceeding by or before any court or governmental regulatory or administrative agency, authority or tribunal, domestic or foreign, which (i) seeks to challenge the acquisition by the Purchaser or any of its affiliates of the Shares or Rights, restrain, prohibit or delay the making or consummation of the Offer or the Merger, prohibit the performance of any of the contracts or other arrangements entered into by the Purchaser or any of its affiliates in connection with the acquisition of the Company, or obtain any material damages in connection therewith, or may have any of the foregoing effects, (ii) seeks to make the purchase of or payment for some or all of the Shares or Rights pursuant to the Offer or the Merger illegal, (iii) seeks to impose material limitations on the ability of the Purchaser or any of its affiliates effectively to acquire or hold, or requiring the Purchaser or the Company or any of their respective affiliates or subsidiaries to dispose of or hold separate, any material portion of the assets or the business of the Purchaser and its affiliates taken

as a whole or the Company and its subsidiaries taken as a whole, (iv) seeks to impose material limitations on the ability of the Purchaser or its affiliates to exercise full rights of ownership of the Shares purchased by it on all matters properly presented to the shareholders of the Company or (v) may result in a material diminution in the benefits expected to be derived by the Purchaser or its affiliates as a result of the transactions contemplated by the Offer; or

(g) there shall have been proposed, sought, promulgated, enacted, entered, enforced or deemed applicable to the Offer or the Merger, by any state, federal or foreign government or governmental authority or by any court, domestic or foreign, any statute, rule, regulation, judgment, decree, order or injunction, that, in the sole judgment of Purchaser, might, directly or indirectly, result in any of the consequences referred to in clauses (i) through (v) of (f) above; or

(h) the Purchaser shall have learned (i) that any contractual right of the Company or any of its subsidiaries shall be impaired or otherwise adversely affected or that any material amount of indebtedness of the Company or any of its subsidiaries shall become accelerated or otherwise become due prior to its stated due date, in either case with or without notice or the lapse of time or both, as a result of the transactions contemplated by the Offer or the Merger, or (ii) of any covenant, term or condition in any instrument or agreement of the Company or any of its subsidiaries that are, or may be, individually or in the aggregate, materially adverse to the value of the Shares in the hands of the Purchaser; or

(i) the Company or any of its subsidiaries shall have transferred into escrow any amounts required to fund any existing employment or severance agreements with any of its employees or the Company or any of its subsidiaries shall have entered into any additional employment, severance or similar agreement, arrangement or plan with any of its employees or entered into or amended any agreements, arrangements or plans so as to provide for increased benefits to any employee as a result of or in connection with the transactions contemplated by the Offer or the Merger; or

(j) legislation amending the Internal Revenue Code of 1986 shall have passed either House of Congress or shall be pending before Congress or any committee thereof the effect of which, in the Purchaser's sole judgment, would be (a) to limit the deductibility of interest expense incurred in connection with the acquisition of Shares, (b) to increase the tax liability of the Company as a result of the Purchaser's acquiring the Shares by treating the acquisition of the Shares as a sale of assets by the Company or (c) to change the tax consequences of the transactions contemplated by the Offer in any other manner which would adversely affect the Purchaser, the Company or any of their respective affiliates;

which, in the sole judgment of the Purchaser, in any such case and regardless of the circumstances (including any action or inaction by the Purchaser giving rise to any such condition) makes it inadvisable to proceed with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of the Purchaser, Parent and their respective subsidiaries and affiliates and may be asserted by the Purchaser or Parent regardless of the circumstances giving rise to any such conditions (including without limitation any action or inaction by the Purchaser or Parent) or may be waived in whole or in part at any time or from time to time at the sole discretion of the Purchaser and Parent. The failure by the Purchaser or Parent at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to any particular facts or circumstances shall not be deemed a waiver with respect to any other facts or circumstances, and each right shall be deemed a continuing right which may be asserted at any time and from time to time. Any determination by the Purchaser with respect to the foregoing conditions shall be final and binding.

18. Dividends and Distributions.

If, on or after May 15, 1989, the Company should (i) split, combine or otherwise change the Shares or its capitalization; (ii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares; or (iii) issue or sell additional Shares or shares of any other class of

capital stock, other voting securities or any securities convertible into, or rights, warrants or options, conditional or otherwise to acquire, any of the foregoing (including any issuances since February 7, 1989 of Shares or other securities pursuant to the 1989 Executive Equity Incentive Plan, if such plan is adopted by shareholders at the Annual Meeting), except for the issuance of additional Common Shares upon the exercise of employee stock options outstanding on the date of this Offer to Purchase in accordance with their current terms, and the conversion of Convertible Preferred outstanding on the date of this Offer to Purchase, or shall disclose that it has taken any such action then, without prejudice to the Purchaser's rights under Section 17, the Purchaser, in its sole discretion, may make such adjustments in the purchase price and the other terms of the Offer as it deems appropriate to reflect such split, combination or other change.

If, on or after May 15, 1989 (except for the $.10 per Common Share cash dividend declared by the Board of Directors on April 14, 1989, payable on July 24, 1989 to holders of record on July 14, 1989), the Company should declare any cash or stock dividend, stock split or other distribution on, or issue any rights with respect to, the Shares, payable or distributable to shareholders of record on a date occurring on or after May 15, 1989, and prior to the transfer to the name of the Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares purchased pursuant to the Offer, or shall disclose that such action has been taken then, without prejudice to the Purchaser's rights under Section 17, (i) the purchase price per Share payable by the Purchaser pursuant to the Offer shall be reduced by the amount of any such cash dividend or distribution and (ii) the whole of any non-cash dividend or distribution (including additional Shares or Rights as aforesaid) received by a tendering shareholder shall be required to be promptly remitted and transferred by the tendering shareholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance or appropriate assurance thereof, the Purchaser shall be entitled, subject to the applicable law, to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the Purchaser in its sole discretion.

19. **Fees and Expenses.**

Drexel is acting as a financial advisor to the Partnerships in connection with its investment in the Company and in connection with the Offer, including acting as Dealer Manager in connection with the Offer and assisting the Purchaser in obtaining the subordinated financing for the Offer. The Partnership has agreed to pay Drexel Burnham a dealer manager fee of $850,000 (the "Dealer Manager Fee"), and a financial advisory fee of $250,000 (the "Financial Advisory Fee"). The Partnerships have paid Drexel $1,125,000 in connection with the delivery of the Highly Confident Letter. If, by April 27, 1991, the Partnerships consummate an Acquisition (as defined in the "Letter Agreement"), Drexel will be paid a fee of $10.5 million (or $7 million, if the fee is earned as a result of Japonica Partners' ability, through the ownership of Shares, to obtain representation on, or the appointment of Japonica Partners' representatives to, the Company's Board of Directors). If on or prior to April 27, 1991 and prior to consummating a Transaction (i) the Partnerships dispose of any securities, or options covering securities, of the Company and its affiliates or (ii) the Company engages in a restructuring, whether by payment of a dividend, recapitalization, merger or otherwise, it will pay Drexel 15% of the Profit (as defined in the Letter Agreement) of the Partnerships and their affiliates resulting therefrom. The Acquirors have agreed to make available to Drexel and the purchasers of Subordinated Securities a certain amount of common equity of Purchaser or Parent. See Section 8. Drexel will also be paid fees in connection with acting as the exclusive placement agent (or, in the case of an underwritten public offering, acting as the sole underwriter) to place privately (or underwrite) securities necessary for the consummation of the Offer and the Merger. See Section 8. In addition, Japonica Partners has agreed to retain Drexel with respect to certain refinancings of securities issued in connection with the Offer which will be placed by Drexel and with respect to certain sales of assets or stock of the Company or any of its subsidiaries. The Partnerships have also agreed to reimburse Drexel Burnham for its reasonable expenses, including counsel fees and expenses and to indemnify it against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws.

It is anticipated that, if the Merger is consummated, Japonica Partners will be paid an investment banking fee of $25,000,000. Such amount will be contributed as part of the permanent equity capital in connection with the Merger.

Except as set forth below, the Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer. The Purchaser will reimburse brokers, dealers, commercial banks and trust companies for customary handling and mailing expenses incurred in forwarding the Offer to their customers.

The Purchaser has retained Morrow & Co., Inc. to act as the Information Agent and Bankers Trust Company to act as Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee shareholders to forward materials relating to the Offer to beneficial owners of the Shares. The Information Agent and the Depositary each will receive reasonable and customary compensation for their services in connection with the Offer, will be reimbursed for their reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws.

20. **Miscellaneous.**

The Offer is being made to all holders of Shares and Rights. The Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to a state statute. If the Purchaser becomes aware of any state where the making of the Offer is prohibited, the Purchaser will make a good faith effort to comply with such statute. If, after such good faith effort, the Purchaser cannot comply with such statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state.

No person has been authorized to give any information or make any representation on behalf of the Purchaser or Parent not contained in this Offer, and, if given or made, such information or representation must not be relied upon as having been authorized.

In any jurisdiction the securities, blue sky or other laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, Parent and the Purchaser have filed with the Commission a Schedule 14D-1 together with exhibits (the "Schedule 14D-1") with respect to the Offer. The Schedule 14D-1, including the exhibits and any amendments thereto which furnish certain additional information with respect to the Offer, may be examined and copies may be obtained at the same places and in the same manner as set forth with respect to information concerning the Company in Section 9 of this Offer to Purchase (except that it will not be available at the regional offices of the Commission).

JAPONICA PARTNERS, L.P.
CNWT HOLDING CORP.
CNWT ACQUISITION CORP.

SCHEDULE I

TRANSACTIONS IN SHARES IN THE PAST TWO YEARS

Unless otherwise indicated, each of the following transactions was a purchase of Common Shares effected on the open market. All securities of the Company set forth in this Schedule I are owned beneficially by the persons set forth below. No person set forth below owns any securities of the Company except as set forth below or owns any Shares of record but not beneficially. No part of the purchase price of any of the Common Shares of any person set forth below is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such shares.

1. Name and Business Address:

Japonica Partners, L.P.
500 Park Avenue
New York, New York 10022

Common Shares Owned: 1,442,400[1]

Transactions in Past Two Years[2]:

Date	No. of Shares Purchased	Date	No. of Shares Purchased
4/8/88	127,200	3/03/89	12,600
4/12/88	5,000	3/03/89	5,000
4/13/88	77,800	3/03/89	12,000
4/14/88	40,000	3/06/89	26,500
10/21/88	10,000	3/06/89	27,000
10/24/88	700	3/07/89	4,400
10/25/88	900	3/07/89	3,000
10/27/88	19,400	3/07/89	8,500
10/28/88	24,000	3/07/89	27,200
10/31/88	4,000	3/07/89	4,600
11/1/88	3,000	3/07/89	15,100
11/2/88	25,000	3/07/89	10,000
11/3/88	20,000	3/08/89	2,600
11/4/88	15,000	3/08/89	12,400
11/9/88	29,500	3/09/89	1,000
11/10/88	20,000	3/09/89	14,800
11/14/88	7,000	3/09/89	13,500
11/16/88	10,000	3/09/89	33,900
11/18/88	5,000	3/09/89	40,000
1/17/89	5,400	3/09/89	29,700
1/18/89	40,000	3/09/89	8,100
1/18/89	7,500	3/10/89	144,000
1/19/89	50,000	3/10/89	3,000
1/20/89	4,800	3/10/89	22,000
1/23/89	10,400	3/10/89	300
1/24/89	31,000	3/10/89	5,200
1/25/89	15,900	3/10/89	9,400
1/25/89	16,500	3/10/89	29,500
1/25/89	160,000	3/10/89	6,000
2/10/89	10,000	3/10/89	59,900
3/03/89	7,200	3/13/89	500
3/03/89	18,000	3/13/89	5,000
3/03/89	25,500		

[1]Japonica Partners may be deemed to beneficially own the Common Shares owned by each Partnership.

[2]Represents transactions in Common Shares effected by Japonica Partners, on behalf of itself, and each Partnership within the past two years.

2. Name and Business Address:

P.B. Kazarian, ltd.
c/o Japonica Partners, L.P
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 1,442,400[3]

Transactions in Past Two Years: See information with respect to Japonica Partners.

3. Name and Business Address:

Phoenix Partners, L.P.
c/o Japonica Partners, L.P.
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 491,685

Transactions in Past Two Years: See information with respect to Japonica Partners.

4. Name and Business Address:

Botanic Partners, L.P.
c/o Japonica Partners, L.P.
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 492,969

Transactions in Past Two Years: See information with respect to Japonica Partners.

5. Name and Business Address:

Pigeon Investors, L.P.
c/o Japonica Partners, L.P.
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 98,479

Transactions in Past Two Years: See information with respect to Japonica Partners.

6. Name and Business Address:

Raven Partners, L.P.
c/o Japonica Partners, L.P.
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 48,962

Transactions in Past Two Years: See information with respect to Japonica Partners.

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[3]P.B. Kazarian, ltd. may be deemed to beneficially own the Common Shares beneficially owned by Japonica Partners.

7. Name and Business Address:

Bates Partners, L.P.
c/o Japonica Partners, L.P.
One Hospital Trust Plaza
Suite 1900
Providence, Rhode Island 02903

Common Shares Owned: 310,205

Transactions in Past Two Years: See information with respect to Japonica Partners.

8. Name and Business Address:

Paul B. Kazarian
c/o Japonica Partners, L.P.
500 Park Avenue
New York, New York 10022

Common Shares Owned: 1,443,500[4]

Transactions in Past Two Years[5]:

Trade Date	No. of Common Shares Purchased
4/7/88	1,000
3/3/89	100

9. Name and Business Address:

John P. Campbell
Curtis, Mallet-Prevost, Colt & Mosle
Room 3500
101 Park Avenue
New York, New York 10178-0061

Common Shares owned: 200

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
3/9/89	200

10. Name and Business Address:

Gerald B. Cramer
Cramer Rosenthal McGlynn, Inc.
520 Madison Avenue
New York, New York 10022

Common Shares Owned: 1,000

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
3/16/89	1,000

[4]Paul B. Kazarian may be deemed to beneficially own the Common Shares beneficially owned by P.B. Kazarian, ltd.

[5]Does not include information with respect to Common Shares beneficially owned by PBK Ltd. and Japonica Partners which are beneficially owned by Mr. Kazarian. For information with respect to such Common Shares, see information with respect to Japonica Partners.

11. Name and Business Address:

C. Howard Hardesty
Andrews & Kurth
Suite 200
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Common Shares owned: 1,000

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
3/15/89	1,000

12. Name and Business Address:

Michael G. Lederman
Japonica Partners
500 Park Avenue
New York, New York 10022

Common Shares Owned: None[6]

Transactions in Past Two Years: None

13. Name and Business Address:

C. L. Pecchenino
17 Juniper Road
Weston, MA 02193

Common Shares Owned: 1,000

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
3/14/89	1,000

14. Name and Business Address:

Robert G. Shepherd, Jr.
Law Offices of
Robert G. Shepherd, Jr.
Suite 400
1155 21st Street, N.W.
Washington, D.C. 20036

Common Shares Owned: 100

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
3/16/89	100

[6]Pursuant to the Japonica Partners limited partnership agreement, MGL Ltd. has no control over the acquisition, disposition or voting of the shares of common stock of the Company owned by Japonica Partners. Accordingly, Michael G. Lederman, as Chairman, sole director and control person of MGL Ltd. disclaims beneficial ownership of the 1,442,400 Common Shares beneficially owned by Japonica Partners.

15. Name and Business Address:

B.D. Vlasin
275 Golden Bay Boulevard
Oak Hill, Florida 32759

Common Shares Owned: 100

Transactions in Past Two Years:

Trade Date	No. of Common Shares Purchased
4/11/88	100

SCHEDULE II

THE NOMINEES AND OTHER PARTICIPANTS IN THE PROXY SOLICITATION

Set forth below is the name, business address and present occupation or employment or business of the Nominees and other "participants" in the proxy solicitation and, in the case of the Nominees and Michael G. Lederman, each such person's five year employment history.

Name	Age	Principal Occupations and Directorships
John P. Campbell	65	Partner, Curtis, Mallet-Prevost, Colt & Mosle (law firm) (1958—Present); Director, Municipal Assistance Corporation; Director, White Securities Corp. (private company); Director, Clinton Holdings, Inc. (private company).
Gerald B. Cramer	58	Chairman and Chief Executive Officer, Cramer Rosenthal McGlynn, Inc. (investment advisory services) (Prior to 1983—Present); Chairman of the Board, NW Group, Inc. (1986—Present); Director, Big Bear Stores, Inc.; Director, Oshap Technologies, Inc.; Director, Trade Reinsurance, Ltd.
C. Howard Hardesty (Chairman Designate)	67	Partner, Of Counsel, Andrews & Kurth (law firm) (July—1987 Present; November 1985—June 1987); President and Chief Executive Officer, Purolator Courier Corporation (a worldwide courier service company) (July 1985—May 1987); Partner, Corcoran, Hardesty, Whyte, Hemphill & Ligon, P.C. (law firm) (July 1981—November 1985); Chairman of the Board, Director and Chief Executive Officer, Commonwealth Oil and Refining Company (January 1979—July 1981); Vice Chairman, Continental Oil Co. (1975-1977); Director, NCR Corp.; Director, Consolidated Natural Gas; Director, Purolator Courier Corporation (1980-1987); Director, Peoples Drug Stores (1981-1985).
Paul B. Kazarian (Vice Chairman Designate)	33	President, P.B. Kazarian, ltd. (proactive business investments and strategic financial advisory services) (February 1988—Present); Chairman of the Board and director of Purchaser and Parent; Strategic Financial Advisor, Japonica Partners, L.P. (proactive business investments and strategic financial advisory services) (January 1988—Present); Vice President, Goldman Sachs & Co. (investment banking) (August 1980—December 1987).
C.L. Pecchenino (Vice Chairman Designate)	61	Retired (August 1986—Present); President and Chief Operating Officer, I.C. Industries, Inc. (now Whitman Corporation) (conglomerate which owned and operated, among others, Illinois Central Gulf Railroad, Pet Incorporated, Midas International Corporation, Hussmann Corporation and Pepsi-Cola General Bottlers

Name	Age	Principal Occupations and Directorships
		Inc.) (December 1985—August 1986); Chairman, Pneumo Abex Corporation (a company owned and operated by I.C. Industries, Inc. and which was engaged in aerospace and food/drug retailing and wholesaling) (December 1985—August 1986); Executive Vice President, I.C. Industries Inc. (see above) (February 1985—December 1985); President and Chief Executive Officer, Pneumo Corp. (aerospace and food/drug retailing and wholesaling) (December 1984—December 1985); Executive Vice President and Director, Pneumo Corp. (January 1981—November 1984).
Robert G. Shepherd, Jr.	47	Attorney, Law Offices of Robert G. Shepherd, Jr. (law firm) (June 1984—Present); Chief of Staff, Office of Chairman, Interstate Commerce Commission (June 1981—June 1984).
B.D. Vlasin	65	Retired (March 1989—Present); Chief Operating Officer, H. Comet Industries, Inc. (sought to elect slate of directors at 1988 Annual Meeting of CNW Corporation) (March 1988—March 1989); Director, Cedar Valley Railroad (Interstate Rail Transportation) (December 1987—March 1989); Assistant Vice President, Florida East Coast Railroad (Interstate Rail Transportation) (May 1982—August 1987).

Set forth below is the name, business address and present occupation or employment or business of the "participants" in the Proxy Solicitation, other than the Nominees.

Participant	Business Address	Description of Business or Present Principal Occupation
Japonica Partners, L.P.	500 Park Avenue New York, New York 10022	Engage in proactive business investments and provide strategic financial advisory services to individuals or entities, including, without limitation, advice concerning mergers or acquisitions, recapitalizations and defensive techniques.
Michael G. Lederman	M.G. Lederman, Ltd. c/o Japonica Partners, L.P. 500 Park Avenue New York, New York 10022	Chairman, M.G. Lederman, Ltd. (engage in proactive business investments and provide strategic financial advisory services to individuals or entities, including, without limitation, advice concerning mergers or acquisitions, recapitalizations and defensive techniques); President, Treasurer and Secretary of Purchaser and Parent; Partner, Owsley Lederman Caldwell & Partners, L.P. (engaged in business investments, as principal, in financially

Participant	Business Address	Description of Business or Present Principal Occupation
		troubled companies and provided advisory services in financially troubled situations) (March 1988—April 1989); Vice President—Workout Group, Goldman Sachs & Co. (investment bank) (November 1986—February 1988); Attorney—Workout Group, Shearman & Sterling (law firm) (September 1983—October 1986).
Jay Abramson	Cramer, Rosenthal, McGlynn, Inc. 520 Madison Avenue 35th Floor New York, New York 10022	Vice President and General Counsel of Cramer, Rosenthal, McGlynn, Inc.
Henry B. Borgsmiller	720 Lincoln Lane Frankfort, IL 60423	Former Vice President, Transportation, Illinois Central Railroad Company.
Ross M. Jones	c/o Japonica Partners, L.P. 500 Park Avenue New York, New York 10022	Associate at Japonica Partners, L.P.
Arik Y. Prawer	c/o Japonica Partners, L.P. 500 Park Avenue New York, New York 10022	Analyst at Japonica Partners, L.P.

Manually signed facsimiles of the Letters of Transmittal and the Letter of Transmittal Supplement will be accepted. A Letter of Transmittal, Letter of Transmittal Supplement, certificates for Shares, Rights Certificates and any other required documents should be sent or delivered by each shareholder or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below.

The Depositary:

BANKERS TRUST COMPANY

By Mail:

Bankers Trust Company
Corporate Trust and Agency Group
Reorganization Area
P.O. Box 2579
Church Street Station
New York, N.Y. 10008

Facsimile Transmission:

(212) 250-6275/3290
(For Eligible Institutions Only)

Confirm by Telephone:
(212) 250-6270

By Hand or Overnight Mail/Express:

Bankers Trust Company
Corporate Trust and Agency Group
Reorganization Area
Receipt and Delivery Window
123 Washington Street
First Floor
New York, N.Y. 10006

For Information: Call (212) 250-6270

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letters of Transmittal, the Letter of Transmittal Supplement and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning this Offer.

The Information Agent:

MORROW & CO., INC.
345 Hudson Street
New York, New York 10014
(800) 634-4458

The Dealer Manager for the Offer is:

Drexel Burnham Lambert
INCORPORATED
60 Broad Street
New York, New York 10004
(212) 232-4980