To Our Clients:

Share Price Protection Preferred Stock

"Protect Preferred"

Revised Illustrative Term Sheet

General: Protect Preferred is particularly appropriate for successful companies whose shares are undervalued and who are under pressure to restructure. It telegraphs to the market a company's confidence in its future and it is an incentive to institutional investors to be long-term shareholders.

The basic concept of Protect Preferred is the undertaking by a company to achieve a specified market price (Target Price) for its common stock by a specified date (Target Date). If the Target Price is not achieved by the Target Date, the holders of the Protect Preferred are entitled to a special cash dividend in an amount equal to the shortfall. The effect of the special cash dividend is comparable to the holders of the common having a put at the Target Price. In addition, the Protect Preferred is a call on the common stock at the Target Price. As the market price approaches the Target Price, the call becomes more valuable.

Protect Preferred must be specially designed for each company. This illustrative term sheet gives the basic parameters for that design. The design has been reviewed with a number of corporate financial officers, bankers, lawyers and accountants and their very helpful comments have been incorporated in this revised term sheet.

Protect Preferred is not a "poison pill" and is not intended to prevent takeovers. It is designed to create value and alleviate pressure to restructure where greater stockholder value is believed to be achievable within a reasonable period of time. Protect Preferred is the practical equivalent of an undertaking by a company to restructure if it fails to achieve the Target Price by the Target Date. The market value enhancement and capital structure created by Protect Preferred reduce the likelihood of a takeover bid and make a takeover more difficult. Protect Preferred can be used either as a preplanning substitute for restructuring through a leveraged recapitalization or as a response to a takeover bid.

Issuance: As a dividend of one share of Protect Preferred for each outstanding share of common stock.

Taxation: The dividend of Protect Preferred is tax-free to the common shareholders. The Protect Preferred would be Section 306 stock with the principal tax consequence being ordinary income on eventual redemption or sale. In all other respects the tax consequences of a company using Protect Preferred are the same as would flow from the issuance of an ordinary preferred -- there are no significant tax consequences.

Regular Dividend: The regular dividend on the Protect Preferred would be set at an amount based on the current common dividend, and in most cases would be equal to approximately 10 to 20% of the common dividend. The common dividend could be (but need not be) reduced to reflect the Protect Preferred dividend.

Preference on Liquidation: An amount determined by the regular dividend on the Protect Preferred so that the regular dividend is a market rate yield. For example, if the regular dividend is 50¢ and the company could issue an ordinary preferred at 8%, the liquidation preference for the Protect Preferred would be $6.25.

<u>Special Cash Dividend</u>: An amount equal to the difference between the Target Price and the actual average market price of the common stock for the 60-day period prior to the Target Date. If the common stock sells in the market at the Target Price for a specified period prior to the Target Date, no special dividend would be due.

The company may pay the special dividend prior to the Target Date, in which case the dividend would be an amount equal to the difference between the Target Price and the market price for the 60 day period prior to the declaration date.

The Target Price could be subject to a market index adjustment to protect against the company being successful but the general level of stock market prices declining. The Target Price also would be subject to customary antidilution adjustments.

In order to receive the special dividend, a holder of Protect Preferred would have to hold an equal number of shares of common stock. If there has been a change in control of the company the special dividend would equal the difference between the Target Price and the price paid upon the change of control and the holders of the Protect Preferred would not also have to hold common stock to receive the special dividend.

<u>Dividends Cumulative</u>: The regular dividend and the special dividend are cumulative.

<u>Conversion into Common</u>: Each share of Protect Preferred is convertible at the option of the holder into one share of common stock at any time upon payment of an amount in cash equal to the Target Price. The conversion price would be indexed like the Target Price for the special dividend so that the conversion feature could become more

valuable in a falling market. The conversion price would be subject to customary antidilution adjustments.

Call Provisions:	Noncallable until a date subsequent to the date set to achieve the Target Price. The longer the noncall period, the greater the value of the conversion feature. Subsequent to the noncall period, the company may fix a call date on not less than 60 days prior notice. The call price would be equal to the liquidation preference plus accrued unpaid dividends.
Mandatory Redemption:	None.
Covenants:	No issuance of prior preferred. No issuance of parity preferred until special dividend has been paid or until after the date no special dividend is payable because Target Price has been achieved. Limitations on debt, liens and common dividends designed to protect and assure the value of the Protect Preferred. Special exception to permit a transaction that results in Target Price being achieved.
Voting:	Nonvoting except on default in payment of special dividend in which event the Protect Preferred as a class would have the right to elect one-third of the board of directors. The Protect Preferred would also have a class vote on waiver of covenants, with 90% of the outstanding shares necessary to approve a waiver.
Change of Control:	No provisions other than as set forth under special cash dividend. As an option, the Target Price for either or both the conversion feature and the special dividend feature could be reduced to present value at the date of change of control and the special dividend could become payable on that date.

Exchange for Subordinated Debt: The company could reserve this option.

Accounting: There are no adverse accounting results from using Protect Preferred. We have been advised by one of the big eight accounting firms that the special dividend would be reported as a dividend in the period it is declared or becomes payable. The special dividend would also be included in primary and fully diluted earnings per share of that period. In financial statements of periods prior to the target date, footnote disclosure would be made of the special dividend that would have been payable, and the related supplementary earnings per share impact, had the special dividend been declared at that date. Since the conversion feature is out-of-the-money, it would have no effect on the earnings per share until the market price of the common exceeds the Target Price. The accounting has not been passed on by the SEC.

Market Value: Because Protect Preferred is a new and unique security its value will be uncertain until it is tested in the market. In addition to its value as an ordinary preferred stock, the conversion feature is the equivalent of a deep-out-of-the-money long-term warrant and the special dividend feature is the equivalent of a deep-in-the-money put that only becomes exercisable in the future. The value of these two features will be a function of term, premium to market, volatility, liquidity and the other factors that go into valuation of puts and calls. It is contemplated that the value of one share of common stock and one share of Protect Preferred will be significantly greater than the value of one share of common stock prior to the Protect Preferred dividend.

Shareholder Approval: Not necessary for companies that have blank check preferred already authorized. Since Protect Preferred is not a poison pill and does create value, it should readily achieve shareholder approval if put to a vote.

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