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WACHTELL, LIPTON, ROSEN & KATZ

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To Our Clients:

Warrant Dividend Plan

The Warrant Dividend Plan is designed to preserve, in the event of a takeover, values for shareholders of a company that is selling in the stock market at prices believed to be substantially less than its long-term value. The Plan is designed to be effective in cases of a tender offer for control to be followed by a second-step merger or an accumulation of a 20% or greater position to be followed by a merger. The Plan is intended to be adopted before a company becomes the target of a tender offer. While the Plan may be adopted as a response to a tender offer, the Plan is more effective if adopted prior to a tender offer. The Plan is specially appropriate for companies that are selling at depressed prices and for companies whose shares are being accumulated by a potential raider.

The Plan does not totally prevent takeovers. It would have no effect on a raider who is willing to acquire control and not obtain 100% ownership through merger until after the warrants have expired. In such case the Plan still has had an effect beneficial to the shareholders of the target. It has enabled them to avoid an unwanted squeezeout and to continue their equity investment for a period of time designed to enable them to realize the long-term value envisaged when the Plan was adopted.

The Plan creates rather complicated situations that may be difficult for a potential raider to evaluate. In so doing it may deter a takeover. In cases where the Plan does not deter a takeover, the Plan does virtually assure that any takeover attempt will be for cash and for all of the shares of the target. To avoid the dilution to the raider's common stock created by a substantial amount of warrants being outstanding following a tender offer, a raider would condition its offer on a very large percentage, 80% to 90%, of the target's shares being tendered with the associated warrants.

Each case should be considered individually. This memorandum and the attached model form of press release are not intended as a "roadmap" for every company. The advice of an investment banker with arbitrage expertise is essential. Special legal questions may exist in certain states and it is advisable to have an opinion of local counsel in the company's state of incorporation. The tender offer legislation recommended by the SEC last month would prohibit the implementation of the Plan after a tender offer had been commenced.

The Plan is simple. It entails a dividend to the shareholders of the target consisting of one warrant to buy one share of common stock for each share of common stock outstanding. The exercise price of the warrant would be the long-term value of the target envisaged at the time the Plan is adopted -- assumed in this memo to be two to five times the current market price of the common stock. If the target has sufficient authorized but unissued common stock, no shareholder vote is necessary for the issuance of the warrants; the warrants can be created and issued as a dividend solely by action of the directors.

The issuance of the warrant dividend is not a taxable event for the target or its shareholders. Upon the warrants becoming warrants to purchase a raider's common stock, a warrant holder will probably recognize taxable gain. In the event of a reverse merger and a reduction in the exercise price, a warrant holder may have dividend income.

Since the warrants are "out of the money" they will not dilute earnings per share and should not have any depressing effect on the market price of the common stock. Since the warrants are not exercisable at the time of issuance, SEC registration and stock exchange listing need not be effective until after issuance.

While there is no court case directly in point, we are of the opinion that the Plan is legal. In this connection it may be noted that in the Enstar case the Delaware Court of Chancery said, "Viewed fairly, however the 'poison pill' amendments, a measure enacted by the Board when 'takeover' fever gripped the industry, could be considered legitimate exercises of board discretion designed to protect the stockholders against a less than arms-length sale." The Plan raises fewer

legal issues than the poison pill preferred and we are of the opinion that, if attacked in court, the Plan will be upheld.

The terms of the warrant for each company would be individually determined to suit that company's circumstances within the following general parameters:

Term: 5-10 years.

Exercise price: 200-500% of current market.

Warrants detach and become exercisable in the event of a tender offer or 20% acquisition: The warrants will be stapled to -- not trade separately from -- the common stock and will not be exercisable until a person or group acquires 20% or more of the target's common stock or announces an intention to commence a tender or exchange offer for 30% or more of the target's common stock. Shares of common stock issued after the warrant dividend has been paid will not have associated warrants and this may cause some minor inconveniences in the trading and transfer of a company's common stock.

Special protection against squeezeout: In the event a raider were to acquire control of the target in a manner not approved by the board of directors of the target, and then were to merge or otherwise combine with the target and the target were not the surviving corporation, each warrant would become a warrant to buy that number of shares of common stock of the raider which at the time of the merger would have a market value of two times the exercise price of the warrant. Thus if the exercise price of the warrant is $200 and the raider's common stock at the time of the merger is $50 per share, each warrant thereafter would be exercisable at $200 for 8 shares of the raider's common stock.

Similarly, in the event of an acquisition of the target by means of a reverse merger, the warrants provide that, if the target company and its stock survive a merger, the exercise price is reduced to 50% of the target's market price at the time of the merger.

Redemption: The warrants are redeemable at a price of $1.00 per warrant at any time prior to a 20% acquisition. Thus, the warrants do not interfere with a negotiated merger or a white knight transaction even after a hostile tender offer has been commenced. The warrants do interfere with a white knight transaction after a 20% acquisition.

Voting: The warrants would not have any special voting rights and would not have any vote for directors or in connection with a business combination.

Attached is a model press release which could be used to announce the adoption of the Plan. A model form of Warrant Agreement is available.

Martin Lipton

Warrant Dividend Plan-Model Press Release

JACKSON POLLACK INC. DECLARES WARRANT DIVIDEND ON COMMON STOCK

New York, New York, June __, 1984. Jackson Pollack Inc. today declared a special dividend on its common stock of one warrant to buy one share of JPI common stock at an exercise price of $200 per share for each share of common stock now outstanding. The warrant dividend is payable on July 15, 1984 to shareholders of record on July 10, 1984.

In announcing the declaration of the warrant dividend by the board of directors of JPI, James Keye, Chairman of the Board, said, "While we have no reason to believe that JPI is the target of a takeover, we feel that the warrant dividend is an important protection for JPI shareholders if JPI were to become a takeover target. The warrants are designed to preserve for JPI shareholders what our directors believe to be the long-term value of JPI. They do not prevent a takeover of JPI. We expect them to have the effect of deterring someone from attempting to acquire JPI in a manner or on terms not approved by the JPI Board of Directors. Since the warrants are subject to redemption by JPI prior to someone acquiring 20% of JPI stock, they would not interfere with a business combination approved by the Board."

The warrants provide that in the event another company were to acquire control of JPI and then merge or otherwise combine with JPI and JPI were not to be the surviving corporation, each warrant would become a warrant to buy, at the warrant exercise price of $200, that number of shares of common stock of the surviving corporation which at the time of the merger have a market value of $400. Similarly, if the other company were to merge into JPI so that JPI were the surviving corporation, the exercise price of the warrant would be reduced to 50% of the market price of JPI common stock at the time of that merger.

Prior to someone announcing a tender offer to acquire 30% or more of JPI common stock or acquiring 20% or more of JPI common stock, the warrants will not be exercisable and will be attached to the common stock and not trade separately from the common stock. Separate warrant certificates will not be issued until the warrants become exercisable. After the July 10, 1984 record date certificates for JPI common stock will also be certificates for the associated warrants. The warrants may be redeemed by JPI at any time prior to someone acquiring 20% or more of JPI common stock at the redemption price of $1.00 per warrant.

The issuance of the warrant dividend is not a taxable event for JPI or its shareholders who receive the warrant dividend. Since the exercise price of the warrants is substantially in excess of the current market price of JPI common stock, the warrants are antidilutive and will not effect the reported earnings per share on JPI common stock.

The warrants expire on December 31, 1994. The warrants do not have any voting rights. [Transfer Agent] Bank is the Warrant Agent.

Mr. Keye also said, "the warrant dividend was developed with the assistance of JPI's special counsel, Wachtell, Lipton, Rosen & Katz and JPI's investment banker, _____. In fashioning the warrants we were concerned with protecting the JPI shareholders against being stampeded into selling their shares or being forcibly squeezed out of their equity investment in JPI, but at the same time preserving for our shareholders the right to determine the destiny of JPI and their investment in JPI. The warrant dividend does not stop someone from tendering for JPI common stock with a condition that a very high percentage of the warrants also be tendered. The warrant dividend also does not stop someone from acquiring control of JPI and not doing a second step merger until the warrants expire, but in that event the warrant dividend fulfills its basic purpose of enabling the JPI shareholders to avoid being forthwith squeezed out and enabling them to continue their equity investment for a sufficient period for the realization of the long-term values envisaged today. In adopting the warrant dividend concept and declaring the warrant dividend the JPI Board of Directors considered it specially important that all JPI shareholders are treated equally and that the warrant dividend does not in any way weaken the financial strength or burden the business operations of JPI."

[XYZ Corp. which owns ___% of JPI common stock, in a Schedule 13D filed on _____, stated that it purchased those shaes for investment and has no intention to seek control of JPI.]

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CrownZellerbach

Chairman of the Board

July 19, 1984

Dear Fellow Shareholders:

Your Board of Directors today declared a dividend distribution of one Common Stock right on each outstanding share of Crown Zellerbach Common Stock. Each right will entitle shareholders to buy one share of Crown Zellerbach Common Stock at an exercise price of $100.00 per share until July 31, 1994. The rights will not be exercisable until someone acquires 20% of the Crown Zellerbach Common Stock or makes an offer for 30% of the Common Stock. The rights are designed to permit Crown Zellerbach shareholders to benefit from the long-term value of the Company and to assure that all shareholders receive fair and equal treatment in the event of an unsolicited takeover of the company. The distribution is payable on August 10 to shareholders of record on August 1, 1984.

As we have outlined in our 1983 annual report and elsewhere, we have taken important steps over the past three years to focus Crown Zellerbach's business and to maximize the Company's potential. Our progress is reflected in our 1983 results and in our performance for the first six months of 1984. As we reported earlier this week, net income for the six months ending June 30 was $1.68 per share compared with net income of $1.09 per share a year earlier. We are enjoying the benefits of the restructuring of our Company and the repositioning of our product mix that steadily increases our competitive position.

You, the Company's shareholders, of course, are the direct beneficiaries of our program and of Crown Zellerbach's inherent strength and future earnings potential. The distribution that has been declared today is designed to provide you an opportunity to receive that benefit and to realize what your Board of Directors believes is the long-term value of Crown Zellerbach. The distribution treats all shareholders equally and does not in any way weaken the financial strength or burden the operations of our Company. The distribution reflects your Board's confidence in Crown Zellerbach's ability to achieve increasing value over the long-term.

In fashioning the rights, your Board was concerned with protecting Crown Zellerbach shareholders against being stampeded into selling their shares or being forcibly squeezed out of their equity investment in the event of an unsolicited takeover attempt. While we are not aware that Crown Zellerbach is currently the target of a takeover attempt, the distribution is designed to protect against a third party seeking to take advantage of short-term market conditions and speculation, which, if successful, could reduce the return Crown Zellerbach could and should provide all of its shareholders. At the same time, the Board wanted to preserve for all shareholders the right to determine the destiny of Crown Zellerbach and their investment in the Company.

The rights will not prevent a takeover of Crown Zellerbach, but should deter any attempt to acquire your Company in a manner or on terms not approved by the Board. Since the rights may be redeemed by Crown Zellerbach at $0.50 per right prior to a person acquiring beneficial ownership of at least 20 percent of Crown Zellerbach's stock, they will not interfere with any business combination approved by your Board.

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One Bush Street, San Francisco CA 94104

As indicated above, the rights will not be exercisable until someone acquires 20 percent of the Company's Common Stock or announces an offer for 30 percent of the Common Stock. The rights will expire on July 31, 1994. They will not have any voting rights. The Bank of California is the Rights Agent. In the event that Crown Zellerbach is acquired in a merger or other business combination transaction, each right will entitle its holder to purchase, at the then current exercise price of the right, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right. Thus, for example, if the market value of the acquiring company's common stock at the time of the transaction were $50.00 per share and the exercise price of the rights were $100.00 per right, each right would entitle the holder to receive upon exercise four shares of the acquiring company's common stock. In the event that Crown Zellerbach were the surviving corporation in the merger and its Common Stock were not changed, each right would become exercisable for that number of shares of Crown Zellerbach Common Stock having a market value of two times the exercise price of the right.

While the Common Stock will continue to be listed on the New York Stock Exchange, the rights will not be listed on the Exchange. The rights may be traded in the over the counter market. Since the rights are designed to assure that the holders of the Company's Common Stock will have the ability to benefit from the long-term value inherent in the Common Stock, your Board of Directors recommends that the Common Stock and the rights be traded concurrently in companion transactions.

We would have preferred to have attached the rights to the Common Stock with the rights being non-transferrable apart from the Common Stock until the Company becomes subject to an announced takeover attempt. Much time and effort has been devoted to discussing the matter with the Exchange. The Exchange, however, has advised that it is not prepared to permit the trading of rights of such nature with Crown Zellerbach Common Stock.

The distribution of these rights is not taxable to you or Crown Zellerbach. Since the exercise price of the rights is substantially in excess of the current market price of Crown Zellerbach Common Stock, the rights are not dilutive and will not affect reported earnings per share.

Your Board of Directors and management are most enthusiastic about the long-term potential for your Company and feel deeply our responsibilities to serve the best interests of our shareholders and to fulfill our obligations as stewards of one of this country's vital natural resources -- the forest. You can be certain we will continue to implement and pursue those programs which are consistent with these responsibilities. Meanwhile, we take great satisfaction in providing these new rights to preserve the long-term value of your investment in Crown Zellerbach. Shortly after the distribution date you will receive your rights certificates and information which will further describe their terms and conditions.

In closing may I reaffirm our commitment to you, our shareholders, published in our 1983 annual report, that we will manage your Company for consistent long-term improvement in the real return on your investment at a rate that is greater than that of relevant competitors.

On behalf of the Board of Directors,

William T. Creson
Chairman, President
and Chief Executive Officer

WT Creson

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SELECTED MODEL BY-LAW PROVISIONS

Special Meeting.

Special meetings of the stockholders may be called at any time by the Chairman of the Board, the President, or a majority of the Board of Directors.

Notice of Stockholder Business.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less

than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section ___. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section ___, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Notice of Stockholder Nominees.

Only persons who are nominated in accordance with the procedures set forth in this Section ____ shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section ___. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a)

as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such stockholder. At the request of the Board of Directors any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance

with the procedures set forth in this Section ____. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Consents to Corporate Action

Section 1. Action by Written Consent. Whenever any action is required or permitted to be taken at any meeting of stockholders of the Corporation, unless the Certificate of Incorporation otherwise provides, and subject to the provisions of Sections 2, 3, and 4 of this Article ____, the action may be taken without a meeting, without prior notice and without a vote, if a written consent setting forth the action so taken shall have been signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon where present and voted; provided, however, that prompt notice of the taking of corporate action without a meeting and by less than unanimous written consent must be given to those stockholders who have not consented in writing.

Section 2. Determination of Record Date for Action by Written Consent. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be fixed by the Board of Directors of the Corporation. Any stockholder seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice, request the Board of Directors to fix a record date. The Board of Directors shall, upon receipt of such a request, fix as the record date the 15th day following receipt of the request or such later date as may be specified by such stockholder. If the record date falls on a Saturday, Sunday or legal holiday, the record date shall be the day next following which is not a Saturday, Sunday or legal holiday.

Section 3. Determination of Consent Date. The date for determining if an action has been consented to by the holder or holders of shares of outstanding stock of the Corporation having the requisite voting power to authorize or take the action specified therein (the "Consent Date"), shall be the 31st day after the date on which materials soliciting consents are mailed to stockholders of the Corporation or, if no such materials are required to be mailed under applicable law, the 31st day following the record date fixed by the Board of Directors pursuant to Section 2 of this Article ____. If

the Consent Date falls on a Saturday, Sunday or legal holiday, the Consent Date shall be the day next following which is not a Saturday, Sunday or legal holiday.

Section 4. Procedures for Written Consent. In the event of the delivery to the Corporation of a written consent or consents purporting to authorize or take corporate action and/or related revocations (each such written consent and related revocation is referred to in this Article ___ as a "Consent"), the Secretary of the Corporation shall provide for the safekeeping of such Consent and shall conduct such reasonable investigation as he deems necessary or appropriate for the purpose of ascertaining the validity of such Consent and all matters incident thereto, including, without limitation, whether the holders of shares having the requisite voting power to authorize or take the action specified in the Consent have given consent; provided, however, that if the corporate action to which the Consent relates is the removal or replacement of one or more members of the Board of Directors, the Secretary of the Corporation shall designate two persons, who may not be members of the Board of Directors, to serve as Inspectors with respect to such Consent, and such Inspectors shall discharge the functions of the Secretary of the Corporation under this Section 4. If after such investigation the Secretary or the

Inspectors (as the case may be) shall determine that the Consent is valid, that fact shall be certified on the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders, and the Consent shall be filed in such records, at which time the Consent shall become effective as stockholder action; provided, however, that neither the Secretary nor the Inspectors (as the case may be) shall make such certification or filing, and the Consent shall not become effective as stockholder action, until the final termination of any proceedings which may have been commenced in the Court of Chancery of the State of Delaware or any other court of competent jurisdiction for an adjudication of any legal issues incident to determining the validity of the Consent, unless and until such court shall have determined that such proceedings are not being pursued expeditiously and in good faith.