

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-4

Registration of securities issued in business combination transactions

Filing Date: **1997-12-18**  
SEC Accession No. **0001047469-97-008234**

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### INTERNATIONAL LOGISTICS LTD

CIK: **1015527** | IRS No.: **223438013** | State of Incorp.: **DE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607** | Film No.: **97740617**

Mailing Address  
330 S MANNHEIM  
STE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM  
STE 200  
HILLSIDE IL 60162  
7085472000

#### AIR FREIGHT CONSOLIDATORS INTERNATIONAL INC

CIK: **1051652** | IRS No.: **112826590** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-01** | Film No.: **97740618**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

#### LEP FAIRS INC

CIK: **1051653** | IRS No.: **581666904** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-02** | Film No.: **97740619**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

#### LEP PROFIT INTERNATIONAL

CIK: **1051655** | IRS No.: **952920613** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-03** | Film No.: **97740620**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

#### MATRIX INTERNATIONAL LOGISTICS INC

CIK: **1051656** | IRS No.: **541378078** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-04** | Film No.: **97740621**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

#### BAY AREA MATRIX INC

CIK: **1051658** | IRS No.: **541378078** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-05** | Film No.: **97740622**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

#### LA MATRIX INC

CIK: **1051659** | IRS No.: **521744031** | State of Incorp.: **NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-06** | Film No.: **97740623**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

## **SOUTHWEST MATRIX INC**

CIK:**1051661** | IRS No.: **541840752** | State of Incorp.:**NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-07** | Film No.: **97740624**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

7709808184  
Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

## **MATRIX CT INC**

CIK:**1051664** | IRS No.: **541513202** | State of Incorp.:**NY** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-08** | Film No.: **97740625**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7709808184

## **BEKINS VAN LINES CO**

CIK:**1051687** | IRS No.: **362193916** | State of Incorp.:**NE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-09** | Film No.: **97740626**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7085472000

## **ILLCAN INC**

CIK:**1051688** | IRS No.: **223471988** | State of Incorp.:**NE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-10** | Film No.: **97740627**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7085472000

## **ILLSCOT INC**

CIK:**1051689** | IRS No.: **223471990** | State of Incorp.:**NE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-11** | Film No.: **97740628**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7085472000

## **LIW HOLDINGS CORP**

CIK:**1051690** | State of Incorp.:**NE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-12** | Film No.: **97740629**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7085472000

## **BEKINS CO /NEW/**

CIK:**1051691** | IRS No.: **954106021** | State of Incorp.:**NE** | Fiscal Year End: **1231**  
Type: **S-4** | Act: **33** | File No.: **333-42607-13** | Film No.: **97740630**

Mailing Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162

Business Address  
330 S MANNHEIM ROAD  
SUITE 200  
HILLSIDE IL 60162  
7085472000

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

INTERNATIONAL LOGISTICS LIMITED  
AND OTHER REGISTRANTS\*  
(Exact name of registrant as specified in its charter)

|          |   |  |  |
|----------|---|--|--|
| <TABLE>  |   |  |  |
| <S>      | DELAWARE<br>(State or other<br>Jurisdiction of<br>Incorporation or<br>Organization) | <C><br><br>4731<br>(Primary Standard<br>Industrial<br>Classification Code<br>Number) | <C><br><br>22-3438013<br>(I.R.S. Employer<br>Identification No.) |
| </TABLE> |   |  |  |

330 SOUTH MANNHEIM ROAD, HILLSIDE, ILLINOIS 60162  
(708) 547-3154  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

GARY S. HOLTER  
INTERNATIONAL LOGISTICS LIMITED  
330 SOUTH MANNHEIM ROAD  
HILLSIDE, ILLINOIS 60162  
(708) 547-3154  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA  
CODE, OF AGENT FOR SERVICE)

COPY TO:  
ERIC H. SCHUNK, ESQ.  
MILBANK, TWEED, HADLEY & MCCLOY  
601 S. FIGUEROA STREET, 30TH FLOOR  
LOS ANGELES, CALIFORNIA 90017  
(213) 892-4000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE  
PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES  
EFFECTIVE.

IF THE SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED IN  
CONNECTION WITH THE FORMATION OF A HOLDING COMPANY AND THERE IS COMPLIANCE WITH  
GENERAL INSTRUCTION G, CHECK THE FOLLOWING BOX. / /

## CALCULATION OF REGISTRATION FEE

| TITLE OF EACH CLASS OF SECURITIES TO BE<br>REGISTERED |  | AMOUNT TO<br>BE REGISTERED | PROPOSED<br>MAXIMUM<br>OFFERING<br>PRICE<br>PER UNIT | PROPOSED<br>MAXIMUM<br>AGGREGATE<br>OFFERING PRICE (1) | AMOUNT OF<br>REGISTRATION<br>FEE (1) |
|---|--|----------------------------|--|--|--------------------------------------|
| <S>   |  | <C>                        | <C>  | <C>  | <C>                                  |
| 9 3/4% Senior Notes due 2007.....                     |  | \$110,000,000              | 100%   | \$110,000,000  | \$32,450                             |
| Guarantees of the Notes.....                          |  | \$110,000,000              | (2)  | (2)  | (2)                                  |

(1) In accordance with Rule 457(f)(2), the registration fee is calculated based  
on the book value of the securities as of December 15, 1997.

(2) No separate consideration will be received for the Guarantees.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

(CONTINUED FROM PREVIOUS PAGE)

\*OTHER REGISTRANTS

<TABLE>

<CAPTION>

| EXACT NAME OF REGISTRANT<br>AS<br>SPECIFIED IN ITS CHARTER | STATE OR OTHER<br>JURISDICTION OF<br>INCORPORATION OR<br>ORGANIZATION | PRIMARY STANDARD<br>INDUSTRIAL CLASSIFICATION<br>CODE NUMBERS | I.R.S. EMPLOYER<br>IDENTIFICATION NUMBER | ADDRESS, INCLUDING ZIP<br>CODE, AND TELEPHONE NUMBER,<br>INCLUDING AREA CODE OF<br>REGISTRANT'S PRINCIPAL<br>EXECUTIVE OFFICES |
|--|---|---|--|--|
| <S>  | <C>   | <C>   | <C>                                      | <C>  |
| The Bekins Company.....                                    | Delaware  | 4731  | 95-4106021                               | 330 South Mannheim Road<br>Hillside, Illinois 60162<br>(708) 547-2000  |
| Bekins Van Lines, Co.....                                  | Nebraska  | 4731  | 36-2193916                               | 330 South Mannheim Road<br>Hillside, Illinois 60162<br>(708) 547-2000  |
| LEP Profit International,<br>Inc.....                      | Delaware  | 4731  | 95-2920613                               | 1950 Spectrum Circle<br>Marietta, Georgia 30067<br>(770) 951-8100  |
| LEP Fairs, Inc.....  | Georgia   | 4731  | 58-1666904                               | 1950 Spectrum Circle<br>Marietta, Georgia 30067<br>(770) 951-8100  |
| Air Freight Consolidators<br>International, Inc.....       | New York  | 4731  | 11-2826590                               | 1950 Spectrum Circle<br>Marietta, Georgia 30067<br>(770) 951-8100  |
| Matrix International<br>Logistics, Inc.....                | Delaware  | 4731  | 54-1378078                               | 200 Connecticut Avenue<br>Norwalk, Connecticut 06859<br>(203) 854-5797   |
| Bay Area Matrix, Inc.....                                  | Delaware  | 4731  | 54-1521288                               | 200 Connecticut Avenue<br>Norwalk, Connecticut 06859<br>(203) 854-5797   |
| L.A. Matrix, Inc.  | Delaware  | 4731  | 52-1744031                               | 200 Connecticut Avenue<br>Norwalk, Connecticut 06859<br>(203) 854-5797   |
| Southwest Matrix, Inc.....                                 | Delaware  | 4731  | 54-1840752                               | 200 Connecticut Avenue<br>Norwalk, Connecticut 06859<br>(203) 854-5797   |
| Matrix CT., Inc.....                                       | Delaware  | 4731  | 54-1513202                               | 200 Connecticut Avenue<br>Norwalk, Connecticut 06859<br>(203) 854-5797   |
| LIW Holdings Corp.....                                     | Delaware  | 4731  | Applied For                              | 330 South Mannheim Road<br>Hillside, Illinois 60162<br>(708) 547-2000  |
| ILLCAN, INC.....   | Delaware  | 4731  | 22-3471988                               | 330 South Mannheim Road<br>Hillside, Illinois 60162<br>(708) 547-2000  |
| ILLSCOT, INC.....  | Delaware  | 4731  | 22-3471990                               | 330 South Mannheim Road<br>Hillside, Illinois 60162<br>(708) 547-2000  |

</TABLE>

SUBJECT TO COMPLETION DATED DECEMBER 18, 1997

Information contained herein is subject to completion or amendment. A

registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

#### PROSPECTUS

\$110,000,000 OFFER TO EXCHANGE  
9 3/4% SENIOR NOTES DUE 2007  
FOR ANY AND ALL OUTSTANDING  
9 3/4% SENIOR NOTES DUE 2007  
OF INTERNATIONAL LOGISTICS LIMITED

Interest Payable April 15 and October 15

Due October 15, 2007

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International Logistics Limited (the "Company") hereby offers (the "Exchange Offer"), pursuant to a registration statement (the "Registration Statement"), of which this Prospectus constitutes a part, and the accompanying Letter of Transmittal (the "Letter of Transmittal"), to exchange its issued 9 3/4% Senior Notes Due 2007 (the "Old Notes") of which an aggregate of \$110,000,000 principal amount is outstanding as of the date hereof, for an equal amount of newly issued 9 3/4% Senior Notes Due 2007 (the "New Notes" and together with the Old Notes the "Notes").

The New Notes will mature on October 15, 2007 and are fully and unconditionally guaranteed (the "Subsidiary Guaranties"), jointly and severally, on an unsecured senior basis by the Subsidiary Guarantors (as defined). The New Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after October 15, 2002, at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time and from time to time prior to October 15, 2000, the Company may redeem, at its option, up to an aggregate of 35% of the original principal amount of the New Notes with the proceeds of one or more Public Equity Offerings (as defined) at 109.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original principal amount of the New Notes remains outstanding after each such redemption. Upon a Change of Control (as defined), each holder of the New Notes will have the right to require the Company to repurchase such holder's New Notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See "Description of the New Notes."

The New Notes and the Subsidiary Guaranties will be unsecured senior obligations of the Company and of the Restricted Subsidiaries (as defined) that execute Subsidiary Guaranties (each a "Subsidiary Guarantor" and collectively the "Subsidiary Guarantors"), respectively, and will rank PARI PASSU with all existing and future unsecured senior indebtedness of the Company and the Subsidiary Guarantors, respectively, and will be effectively subordinated to all existing and future Secured Indebtedness (as defined) of the Company and the Subsidiary Guarantors, respectively, to the extent of the value of the assets securing such indebtedness. The New Notes and the Subsidiary Guaranties will be effectively subordinated to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries other than those of the Subsidiary Guarantors. The New Notes and the Subsidiary Guaranties will rank senior in right of payment to any Subordinated Obligations (as defined) of the Company and the Subsidiary Guarantors, respectively. As of September 30, 1997, after giving pro forma effect to the new \$100.0 million revolving credit facility (the "New Credit Facility"), and the Old

Notes Offering and the application of the net proceeds therefrom, the Company would have had no outstanding Secured Indebtedness and the Subsidiary Guarantors would have had approximately \$0.2million of outstanding Secured Indebtedness to which the New Notes and the Subsidiary Guaranties would be effectively subordinated to the extent of the value of the assets securing such indebtedness and the Company's non-guarantor subsidiaries would have had approximately \$109.3 million of indebtedness and other liabilities (including trade payables) outstanding to which the New Notes and the Subsidiary Guaranties would be effectively subordinated. See "New Credit Facility" and "Description of the New Notes."

The New Notes are being offered hereby in order to satisfy certain obligations of the Company under a registration rights agreement, dated October 29, 1997 (the "Registration Rights Agreement"), between the Company and Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Baring (U.S.) Securities, Inc. (collectively, the "Initial Purchasers"). The form and terms of the New Notes will be substantially identical to those of the Old Notes except that the New Notes will have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and hence are not subject to certain transfer restrictions, registration rights and related liquidated damages provisions applicable to the Old Notes. The New Notes will evidence the same debt as the Old Notes and will be entitled to the benefits of an indenture (the "Indenture"), dated as of October 29, 1997, by and between the

Company and First Trust National Association, as trustee (the "Trustee"). The Indenture provides for the issuance of both the Old Notes and the New Notes.

The Company will not receive any proceeds from the Exchange Offer. The Company will pay all expenses incident to the Exchange Offer (which shall not include the expenses of any holder in connection with resales of the New Notes). The Company will accept for exchange any and all validly tendered Old Notes on or prior to 5:00 p.m. New York City time, on \_\_\_\_\_, 1998 (such date and time, if and as extended, the "Expiration Date"). Tender of the Old Notes may be withdrawn at any time prior to the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange. Old Notes may be tendered only in integral multiples of \$1,000.

This Prospectus, together with the Letter of Transmittal, is first being sent on or about \_\_\_\_\_, 1998 to all holders of the Old Notes known to the Company.

FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY HOLDERS OF THE OLD NOTES (THE "NOTEHOLDERS") PRIOR TO TENDERING THEIR OLD NOTES IN THE EXCHANGE OFFER OR BY A PROSPECTIVE INVESTOR BEFORE PURCHASING THE NEW NOTES, SEE "RISK FACTORS" BEGINNING ON PAGE 12.

EACH BROKER-DEALER THAT RECEIVES NEW NOTES FOR ITS OWN ACCOUNT PURSUANT TO THE EXCHANGE OFFER MUST ACKNOWLEDGE THAT IT WILL DELIVER A PROSPECTUS IN CONNECTION WITH ANY RESALE OF SUCH NEW NOTES. THE LETTER OF TRANSMITTAL STATES THAT BY SO ACKNOWLEDGING AND BY DELIVERING A PROSPECTUS, A BROKER-DEALER WILL NOT BE DEEMED TO ADMIT THAT IT IS AN "UNDERWRITER" WITHIN THE MEANING OF THE SECURITIES ACT. THIS PROSPECTUS, AS IT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, MAY BE USED BY A BROKER-DEALER IN CONNECTION WITH REALES OF NEW NOTES RECEIVED IN EXCHANGE FOR OLD NOTES WHERE SUCH OLD NOTES WERE ACQUIRED BY SUCH BROKER-DEALER AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES. THE COMPANY HAS AGREED THAT, FOR A PERIOD OF 180 DAYS AFTER THE EXPIRATION DATE (AS DEFINED HEREIN), IT WILL MAKE THIS PROSPECTUS AVAILABLE TO ANY BROKER-DEALER FOR USE IN CONNECTION WITH ANY SUCH RESALE. SEE "PLAN FOR DISTRIBUTION."

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR

ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Based on interpretations contained in no-action letters of the Securities and Exchange Commission (the "Commission"), the Company believes that the New Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for resale, resold, and otherwise transferred by a holder thereof (other than (i) a broker-dealer who purchases such New Notes directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act or (ii) a person who is an affiliate of the Company (within the meaning of Rule 405 under the Securities Act)), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holder is acquiring the New Notes in its ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in the distribution of the New Notes. The Noteholders wishing to accept the Exchange Offer must represent to the Company that such conditions have been met. Each broker-dealer that receives the New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a Prospectus in connection with any resale of such New Notes. This Prospectus has been prepared for use in connection with the Exchange Offer and may be used by the Initial Purchasers in connection with offers and sales related to market-making transactions in the Old Notes. The Initial Purchasers may act as a principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale. The Letter of Transmittal states that by so acknowledging and by delivering a Prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the New Notes received in exchange for the Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that it will use its best efforts to make this Prospectus available to any broker-dealer for use in connection with any such resale for such period of time as such persons may be required to comply with the prospectus delivery requirements of the Securities Act (which period shall not exceed one year from the date the Registration Statement becomes effective). See "Plan of Distribution." EXCEPT AS DESCRIBED IN THIS PARAGRAPH, THIS PROSPECTUS MAY NOT BE USED FOR AN OFFER TO RESELL, RESALE OR OTHER TRANSFER OF NEW NOTES.

Prior to this Exchange Offer, there has been no public market for the New Notes. The New Notes have been made eligible for trading on the Portal-SM-Market ("PORTAL") of the Nasdaq Stock Market, Inc. However, the Initial Purchasers are not obligated to make a market in the New Notes, and may discontinue such market-making activities at any time without notice. In addition, there can be no assurance that an active market for the New Notes will develop. To the extent that a market for the New Notes does develop, the market value of the New Notes

will depend on many factors, including, among other things, prevailing interest rates, market conditions, general economic conditions, the Company's results of operations and financial condition, the market for similar securities, and other conditions. Such conditions might cause the New Notes, to the extent that they are actively traded, to trade at a significant discount from face value. See "Risk Factors--Absence of Public Trading Market."

The date of this Prospectus is \_\_\_\_\_, 1998

#### PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, INCLUDED ELSEWHERE IN THIS PROSPECTUS. UNLESS SPECIFICALLY INDICATED OTHERWISE, ALL REFERENCES HEREIN TO "ILOG" REFER TO INTERNATIONAL LOGISTICS LIMITED AND ALL REFERENCES TO THE "COMPANY" REFER TO ILOG AND ITS CONSOLIDATED SUBSIDIARIES. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. SEE "RISK FACTORS" FOR CERTAIN FACTORS THAT A PROSPECTIVE INVESTOR SHOULD CONSIDER IN EVALUATING THE COMPANY BEFORE PURCHASING THE NOTES. THE COMPANY IS A DELAWARE CORPORATION. ITS PRINCIPAL EXECUTIVE OFFICES ARE LOCATED AT 330 S. MANNHEIM ROAD, HILLSIDE, ILLINOIS, 60162 AND ITS TELEPHONE NUMBER IS (708) 547-3154.

#### THE COMPANY

The Company is the largest non-asset-based provider of worldwide logistics and transportation services headquartered in the United States, based on revenues for 1996 and after giving pro forma effect to the LIW Acquisition (as defined). The Company's primary business operations involve obtaining shipment or material orders from customers, creating and delivering a wide range of logistics solutions to meet customers' specific requirements for transportation and related services, and arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. These logistics solutions include domestic and international freight forwarding and door-to-door delivery services using a wide range of transportation modes, including air, ocean, truck and rail. The Company also provides value-added services such as warehousing, inventory management, assembly, customs brokerage, distribution and installation for manufacturers and retailers of commercial and consumer products such as copiers, computers, pharmaceutical supplies, medical equipment, consumer durables and aviation products. The Company also specializes in arranging for the worldwide transportation of goods for major infrastructure projects, such as power plants, oil refineries, oil fields and mines, to lesser developed countries and remote geographic locations. In addition, the Company provides international and domestic relocation services through two of its divisions. On a pro forma basis after giving effect to the LIW Acquisition, the Company generated approximately \$1.1 billion of revenues and \$16.2 million of EBITDA (as defined) for the nine months ended September 30, 1997.

As a non-asset-based logistics services provider, the Company arranges for and subcontracts services on a non-committed basis to airlines, truck lines, van lines, express companies, steamship lines, rail lines and warehousing and distribution operators. By concentrating on network-based solutions, the Company avoids competition with logistics services providers that offer dedicated outsourcing solutions for single elements of the supply chain. Such dedicated logistics companies typically provide expensive, customized infrastructure and systems for a customer's specific application and, as a result, dedicated solutions that are generally asset-intensive, inflexible and invariably localized to address only one or two steps in the supply chain. Conversely, network-based services leverage common infrastructure and technology systems so that solutions are scaleable, replicable and require a minimum amount of customization (typically only at the interface with the customer). This non-asset ownership approach maximizes the Company's flexibility in creating and delivering a wide range of end-to-end logistics solutions on a global basis while simultaneously allowing the Company to exercise significant control over the quality and cost of the transportation services provided.

As of June 30, 1997 after giving pro forma effect to the LIW Acquisition, the Company serviced over 75,000 active customers through a global network of 75 countries consisting of operations located in 33 countries and strategic alliance partners located in 42 countries. Some of the Company's major customers include Lucent Technologies Inc., Cisco Systems, Inc., Williams-Sonoma, Inc. and Danka Business Systems plc (formerly the office imaging technology division of Eastman Kodak Company).

Formed in 1996 by investment entities managed by William E. Simon & Sons, LLC ("WESS") and Oaktree Capital Management, LLC ("Oaktree"), and Roger E. Payton, the Company's President and Chief Executive Officer, the Company has created a global network that provides a broad range of transportation and logistics services through points of service in both industrialized and developing nations and a strong local presence in North America, Europe and Asia. The Company built its network through a series of acquisitions of transportation and logistics providers (the "Subsidiary Acquisitions") beginning with The Bekins Company ("Bekins") in May 1996, Matrix International Logistics, Inc. ("Matrix") in November 1996 and, in a series of transactions beginning in



October 1996, the Company acquired all of the equity securities of LEP International Worldwide Limited (U.K.) ("LIW") and all of the equity interests of LIW's North American

1

subsidiaries (the "LEP Sale"), LEP Profit International, Inc. ("LEP-USA") and LEP International Co. ("LEP-Canada" and, together with LEP-USA, "LEP"). See "Risk Factors--Uncertainties Relating to Operations and Acquisition of LIW" and "Recent Acquisitions."

The U.S. logistics services industry generated approximately \$25.0 billion in revenues in 1996, having experienced an average annual growth rate of approximately 20.0% from 1992 to 1996. The Company believes that the global logistics services industry is three to four times the size of the U.S. logistics services industry. Within the logistics services and freight forwarding industries, the Company targets specific markets in which the Company believes it has a competitive advantage. For example, in the freight forwarding market, the Company arranges transportation for shipments of heavy cargo that are generally larger than shipments handled by integrated carriers, such as United Parcel Service of America and Federal Express Corporation. In the logistics market, the Company provides specialized combinations of services that traditional freight forwarders cannot cost-effectively provide, including time-definite delivery requirements, direct-to-store distribution and merge-in-transit movement of products from various vendors in a single coordinated delivery and/or installation to the end-user.

The Company has developed a business strategy to increase revenue and expand profit margins by: (i) continuing to develop and implement higher margin and greater value-added logistics services to fulfill customers' end-to-end supply chain requirements, (ii) maintaining and enhancing the Company's existing technological position to ensure on-time delivery, real-time inventory management and efficient overall transportation services, (iii) strengthening and expanding the Company's global network through the opening of new offices and making strategic acquisitions and (iv) growing the Company's overall business by further penetrating and expanding its existing customer base as well as increasing its share of specialized niche transportation and logistics services.

#### BUSINESS STRENGTHS

The Company believes that its primary business strengths include the following:

**ESTABLISHED GLOBAL NETWORK WITH STRONG LOCAL PRESENCE.** The Company has an established global network of freight handling operations in 75 countries throughout the world which serviced over 75,000 active customers as of June 30, 1997, after giving pro forma effect to the LIW Acquisition. The Company offers its customers a wide range of logistics and transportation solutions through over 650 Company- and agent-owned locations in 33 countries staffed with 6,352 employees worldwide as of June 30, 1997 (excluding employees of agents), after giving pro forma effect to the LIW Acquisition. The Company's strategic alliances with partners in South Africa, South America, the Middle East, Latin America and the Indian subcontinent provide the Company with service capability in 42 additional countries with approximately 352 locations. The Company is particularly well-positioned in three major economic regions of the world with operations in approximately 449 locations in North America, 159 locations in 18 European countries and 46 locations in 14 Asian countries, as of June 30, 1997, after giving pro forma effect to the LIW Acquisition. The Company's household goods ("HHG") relocation business maintains a strong domestic presence with 283 Bekins service centers throughout the United States as of June 30, 1997 and, through Matrix, provides international relocation services to and from North America and between other countries.

**ADVANCED INFORMATION SYSTEMS.** The Company believes the proprietary FAST 400 and the MATRAK information systems are the most technologically advanced information systems in the global logistics industry. FAST 400 is a real-time, multi-modal, multi-currency, multi-lingual system that provides global transportation and logistics information and detailed job costing analysis. MATRAK is an advanced system for global project logistics. The Company's existing information technology system currently supports logistics management applications such as warehouse management systems, inventory management systems and transportation management and is scaleable to support additional business and product lines. The Company believes that planned system upgrades and expenditures, a significant part of which relates to enhancement of the Company's financial reporting, communications and inventory tracking systems, will complement the technological advantages of FAST 400. The Company expects to spend approximately \$30.0 million over the next three years to conclude the global implementation and integration of FAST 400 and its related BUSINESS 400 systems, purchase additional information systems equipment and software upgrades and integrate the system capabilities of the Company's subsidiaries. The Company anticipates that, upon the completion of the planned expenditures, all of the Companies' subsidiaries will be operating on a single, FAST 400-based system.

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FLEXIBLE NON-ASSET-BASED OPERATIONS. As a non-asset-based provider of transportation and logistics services, the Company has access to a network of freight handling providers but does not own a fleet of aircraft or steamships and owns only a relatively small fleet of road vehicles. As a result of the Company's ability to subcontract transportation and distribution services on a non-committed basis to airlines, truck lines, van lines, express companies, steamship lines and rail lines as well as warehousing and distribution operators, the Company is able to create and deliver a wide range of logistics solutions while retaining significant control over the quality of service provided. In addition, the Company is able to control the costs of transportation services provided as the large volume of cargo shipped by the Company permits the Company to negotiate reduced shipping rates with a variety of transportation providers. Moreover, unlike the asset-intensive nature of integrated transportation providers such as Burlington Air Express, Inc. and Emery Air Freight Corp., the Company's network requires a relatively low level of capital expenditures for transportation equipment.

WELL POSITIONED TO BENEFIT FROM INDUSTRY AND WORLD TRADE TRENDS. Because of its global position, broad service offerings and technologically-advanced information systems, the Company believes it is well-positioned to participate in the growing trend for large corporations to outsource logistics, transportation and distribution services. From 1992 to 1996, the United States logistics services industry grew approximately 20.0% per year to \$25.0 billion and it is expected to continue to grow at comparable levels through the end of the year 2000. Businesses are increasingly striving to minimize the cost of carrying inventory by decreasing the cycle-time in delivery of products, minimizing costs of manufacturing by performing manufacturing and assembly operations in different locations and reducing the overall costs associated with the distribution and movement of goods. As a result, companies are increasingly seeking third-party service providers to assist in increasing profitability by reducing costs of carrying inventory and distribution. In conformity with industry trends, many of the Company's existing customers are seeking end-to-end logistics services from capable service providers such as the Company. In addition, the Company believes that continuing reductions in tariffs, increases in open trade policies and globalization of the world's economies will cause manufacturers and distributors of products around the world, and in particular U.S. multi-national companies, to become increasingly more dependent on the type of shipping, customs and inventory management services that the Company currently offers to its customers.

EXPERIENCED MANAGEMENT. The Company's management team is led by Roger E. Payton, President and Chief Executive Officer. Mr. Payton has over 20 years of experience in transportation and logistics operations and services. The Company's senior operating executives also have an average of approximately 20 years of experience in transportation and logistics operations and services. As of September 30, 1997, the Company's employees owned approximately 9.9% of the currently outstanding shares of common stock of the Company, par value \$.001 per share ("Common Stock"), and, assuming such employees exercise all of their warrants to purchase Common Stock, such employees would own approximately 27.3% of the shares of Common Stock on a fully diluted basis, including, in each case, shares of Common Stock held by the Company's Deferred Plan (as defined) for the account of certain employees.

#### THE EXCHANGE OFFER

The form and terms of the New Notes will be substantially identical to those of the Old Notes except that the New Notes will have been registered under the Securities Act, and hence will not be subject to certain transfer restrictions, registration rights and related liquidated damages provisions applicable to the Old Notes.

<TABLE>

| <S>                        | <C>   |
|----------------------------|---|
| The Exchange Offer.....    | The Company is offering to exchange an aggregate of \$110.0 million principal amount of the New Notes for a like principal amount of the Old Notes. The Old Notes may be exchanged only in multiples of \$1,000 principal amount. The Company will issue the New Notes on or promptly after the Expiration Date. See "The Exchange Offer."  |
| Issuance of the Old Notes; |   |
| Registration Rights.....   | The Old Notes were issued and sold on October 29, 1997 to the Initial Purchasers. In connection therewith, the Company executed and delivered for the benefit of the Noteholders the Registration Rights Agreement, pursuant to which the Company agreed (i) to commence an exchange offer under which the New Notes, registered under the Securities Act with terms substantially identical to those of the Old Notes, will be exchanged for the Old Notes pursuant to an effective registration statement (the "Exchange Offer Registration Statement") or (ii) cause the Old Notes to be registered under the Securities Act pursuant to a resale shelf registration statement (the "Shelf Registration Statement"). |

If the Company does not comply with its obligations under the Registration Rights Agreement, it will be required to pay certain liquidated damages that will accrue and be payable semiannually. See "The Exchange Offer--Purpose of the Exchange Offer; Registration Rights."

|   |   |
|---|---|
| Expiration Date.....                    | The Exchange Offer will expire at 5:00 pm., New York City time, on , 1998, unless extended in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended.  |
| Conditions to the Exchange Offer.....   | The Exchange Offer is subject to certain conditions, which may be waived by the Company in whole or in part and from time to time in its sole discretion. See "The Exchange Offer--Certain Conditions to the Exchange Offer." The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered for exchange.   |
| Procedures for Tendering Old Notes..... | Each Noteholder desiring to accept the Exchange Offer must complete and sign the Letter of Transmittal, have the signature thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver the Letter of Transmittal, together with the Old Notes or a Notice of Guaranteed Delivery and any other required documents (such as evidence of authority to act satisfactory to the Company in its sole discretion, if the Letter of Transmittal is signed by someone acting in a fiduciary or representative capacity), to the Exchange Agent (as defined) at the address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. Any beneficial owner of the Old Notes whose Old Notes are registered in the name of a nominee, such as a broker, dealer, commercial bank or trust company and who wishes to tender the Old Notes in the Exchange Offer, should instruct such entity or person to promptly tender on such beneficial owner's behalf. See "The Exchange Offer-- Procedures for Tendering the Old Notes." |

</TABLE>

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|--|--|
| <TABLE><br><S><br>Guaranteed Delivery Procedures.....          | <C><br><br>Noteholders who wish to tender their Old Notes and (i) whose Old Notes are not immediately available or (ii) who cannot deliver their Old Notes or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date (or complete the procedure for book-entry transfer on a timely basis), may tender their Old Notes according to the guaranteed delivery procedures set forth in the Letter of Transmittal. See "The Exchange Offer--Guaranteed Delivery Procedures." The Letter of Transmittal provides that each Noteholder (other than participating broker-dealers) will represent to the Company that, among other things, the New Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such New Notes, that neither such Noteholder nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder nor any such person is an "affiliate" of the Company, as defined in Rule 405 under the Securities Act. Any tendered Old Notes not accepted for exchange for any reason will be returned promptly after the expiration or termination of the Exchange Offer. See "The Exchange Offer." |
| Withdrawal Rights.....   | Tenders of the Old Notes may be withdrawn at any time prior to the Expiration Date. See "The Exchange Offer--Withdrawal Rights."   |
| Acceptance of the Old Notes and Delivery of the New Notes..... | The Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offer prior to the Expiration Date. The New Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer--Terms of the Exchange Offer."  |
| Resales of the New Notes.....                                  | Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that the New Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered   |

for resale, resold and otherwise transferred by any Noteholder thereof (other than any such Noteholder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Noteholder's business and that such Noteholder has no arrangement or understanding with any person to participate in the distribution of such New Notes, and provided, further, that each broker-dealer that receives the New Notes for its own account in exchange for the Old Notes must acknowledge that it will deliver a Prospectus in connection with any resale of such New Notes. See "Plan of Distribution." If a Noteholder does not exchange such Old Notes for New Notes pursuant to the Exchange Offer, such Old Notes will continue to be subject to the restrictions on transfer contained in the legend thereon. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exception from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "The Exchange Offer--Consequences of Failure to Exchange."

</TABLE>

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Consequences of Failure to

Exchange.....

Noteholders who do not exchange their Old Notes for the New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon. In general, the Old Notes may not be offered or sold, except pursuant to a registration statement under the Securities Act or any exemption from registration thereunder and in compliance with applicable state securities laws. In the event the Company completes the Exchange Offer, the Noteholders will have no further rights to registration or liquidated damages pursuant to the Registration Rights Agreement.

Certain Tax Considerations...

There will be no Federal income tax consequences to Noteholders exchanging the Old Notes for the New Notes pursuant to the Exchange Offer and a Noteholder will have the same adjusted basis and holding period in the New Notes as in the Old Notes immediately before the exchange.

Registration Rights

Agreement.....

The Exchange Offer is intended to satisfy the registration rights of Noteholders under the Registration Rights Agreement, which rights terminate upon consummation of the Exchange Offer.

Exchange Agent.....

First Trust National Association is the Exchange Agent. The address and telephone number of the Exchange Agent are set forth in "The Exchange Offer--Exchange Agent."

</TABLE>

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#### DESCRIPTION OF THE NEW NOTES

<TABLE>

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New Notes.....

\$110,000,000 principal amount of 9 3/4% Senior Notes Due 2007 (the "New Notes").

Maturity Date.....

October 15, 2007.

Interest Payment Dates.....

April 15 and October 15, commencing April 15, 1998.

Optional Redemption.....

The New Notes may be redeemed at the option of the Company, in whole or in part, at any time after October 15, 2002 at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time and from time to time prior to October 15, 2000, the Company may redeem up to an aggregate of 35% of the original principal amount of the New Notes, with the net cash proceeds of one or more Public Equity Offerings (as defined) at 109.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; provided, however, that at least \$71.5 million aggregate principal amount of Notes remain outstanding immediately after each such redemption. See "Description of the New

Change of Control..... Upon a Change of Control (as defined), each holder of the New Notes may require the Company to repurchase such holder's New Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. There can be no assurance that the Company will have sufficient funds to purchase all of the New Notes in the event of a Change in Control. See "Risk Factors--Change of Control" and "Description of the New Notes--Change of Control."

Ranking..... The New Notes and the Subsidiary Guaranties (as defined) will be unsecured senior obligations of the Company and the Subsidiary Guarantors (as defined), respectively, and will rank PARI PASSU in right of payment with all existing and future senior unsecured indebtedness of the Company and the Subsidiary Guarantors, respectively. The New Notes and the Subsidiary Guaranties will be effectively subordinated to all existing and future Secured Indebtedness (as defined) of the Company and the Subsidiary Guarantors, respectively, to the extent of the value of the assets securing such indebtedness. The New Notes and the Subsidiary Guaranties will be effectively subordinated to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries other than the Subsidiary Guarantors. The New Notes and the Subsidiary Guaranties will rank senior in right of payment to any Subordinated Obligations (as defined) of the Company and the Subsidiary Guarantors, respectively. As of September 30, 1997, after giving pro forma effect to the New Credit Facility, the LIW Acquisition and the Old Notes Offering and the application of the net proceeds therefrom, the Company would have had no outstanding Secured Indebtedness and the Subsidiary Guarantors would have had approximately \$0.2 million of outstanding Secured Indebtedness to which the New Notes and the Subsidiary Guaranties would be effectively subordinated to the extent of the value of the assets securing such indebtedness, and the Company's non-guarantor subsidiaries would have had approximately \$109.3 million of indebtedness and other liabilities (including trade payables) outstanding to which the New Notes and the Subsidiary Guaranties would be effectively subordinated. See "Description of the New Notes--Ranking."

</TABLE>

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<TABLE>

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Subsidiary Guaranties..... The New Notes will be guaranteed (the "Subsidiary Guaranties") on a senior unsecured basis by the Company's domestic Restricted Subsidiaries (as defined) that are or become obligors or guarantors with respect to the New Credit Facility (the "Subsidiary Guarantors"). See "Description of the New Notes--Subsidiary Guaranties."

Certain Covenants..... The indenture under which the New Notes will be issued (the "Indenture") will contain certain covenants that, among other things, will limit the ability of the Company and its Restricted Subsidiaries to (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, (iv) make investments, (v) enter into transactions with affiliates, (vi) make certain asset dispositions and (vii) merge or consolidate with, or transfer substantially all of its assets to, another person. The Indenture will also limit the ability of the Company's Restricted Subsidiaries to create restrictions on the ability of such Restricted Subsidiaries to pay dividends or make any other distributions. In addition, the Company will be obligated, under certain circumstances, to offer to repurchase New Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase, with the net cash proceeds of certain sales or other dispositions of assets. However, all of these limitations and prohibitions are subject to a number of important qualifications. See "Description of the New Notes--Certain Covenants."

Exchange Rights..... Holders of New Notes are not entitled to any exchange rights with respect to the New Notes. Holders of Old Notes are entitled to certain exchange rights pursuant to the Registration Rights Agreement. Under the Registration Rights Agreement, the Company is required to offer to exchange the Old Notes for new notes having substantially identical terms

which have been registered under the Securities Act. This Exchange Offer is intended to satisfy such obligation. Once the Exchange Offer is consummated, the Company will have no further obligations to register any of the Old Notes not tendered by the Holders for exchange, except pursuant to a shelf registration statement to be filed under certain limited circumstances specified in "The Exchange Offer --Purposes of the Exchange Offer." See "Risk Factors --Consequences to Non-Tendering Holders of Old Notes."

#### Absence of a Public Market

for the New Notes.....

The New Notes will be a new issue of securities with no established market. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Notes.

#### Use of Proceeds.....

The Company will not receive any proceeds in connection with the Exchange Offer. In consideration for issuing the New Notes in exchange for the Old Notes as described in this Prospectus, the Company will receive the Old Notes that will be retired and canceled.

</TABLE>

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#### EXCHANGE RATES

For the convenience of the reader, certain financial data of LIW has been translated from British Pounds Sterling to U.S. Dollars using the exchange rate in effect at the end of the respective period presented. The following table reflects the exchange rates used as well as other information for the benefit of the reader. The Company does not represent that the British Pound Sterling amounts shown in this Prospectus would have been converted into U.S. Dollars at the quoted exchange rates.

<TABLE>

<CAPTION>

|   | PERIOD<br>END<br>-----<br><C> | PERIOD<br>AVERAGE<br>-----<br><C> |
|---|-------------------------------|-----------------------------------|
|   | (\$ PER L1.00)                |                                   |
| Nine Months Ended September 30, 1997.....   | 1.6185                        | 1.6305                            |
| Year Ended December 31, 1996.....           | 1.7123                        | 1.5607                            |
| January 24, 1996 to September 30, 1996..... | 1.5650                        | 1.5373                            |
| January 1, 1996 to January 23, 1996.....    | 1.5135                        | 1.5377                            |
| Year Ended December 31, 1995.....           | 1.5530                        | 1.5785                            |
| Year Ended December 31, 1994.....           | 1.5603                        | 1.5319                            |
| Year Ended December 31, 1993.....           | 1.4794                        | 1.5016                            |
| Year Ended December 31, 1992.....           | 1.5145                        | 1.7642                            |

</TABLE>

#### RISK FACTORS

Holders of the Old Notes and prospective purchasers of New Notes should consider carefully all of the information set forth in this Prospectus, and in particular the information set forth under "Risk Factors" before tendering their Old Notes in the Exchange Offer or making an investment in the New Notes.

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#### SUMMARY UNAUDITED PRO FORMA CONDENSED FINANCIAL DATA

The following table presents summary unaudited pro forma condensed financial data derived from the Unaudited Pro Forma Condensed Financial Statements included elsewhere in this Prospectus. The summary pro forma financial data gives effect to the Old Notes Offering and the execution of the Company's new \$100.0 million revolving credit facility (the "New Credit Facility"), as well as the acquisitions of Bekins, LEP-USA, LEP-Canada, and Matrix and the LIW Acquisition as if they had occurred at the beginning of the respective periods presented, for purposes of the pro forma statements of operations and other financial data, and as of September 30, 1997 for purposes of the pro forma balance sheet data. With respect to the nine months ended September 30, 1996, the financial statements of LIW have been derived from management reports. Management has made such adjustments to these reports as they believe are necessary for a fair presentation of the statement of operations with respect to the nine months ended September 30, 1996. However, there can be no assurances that such financial statements are as reliable or accurate as financial statements prepared using normal interim period or year-end financial reporting procedures. In addition, such financial statements have not been subject to independent review of the independent accountants of LIW or the Company.

The Unaudited Pro Forma Condensed Financial Statements do not purport to present the actual financial position or results of operations of the Company had the transactions and events assumed therein in fact occurred on the dates

specified, nor are they necessarily indicative of the results of operations that may be achieved in the future. The Unaudited Pro Forma Condensed Financial Statements are based on certain assumptions and adjustments described in the notes to the Unaudited Pro Forma Condensed Financial Statements and should be read in conjunction therewith and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Recent Acquisitions" and the Consolidated Financial Statements of the Company and LIW and the related notes thereto included elsewhere in this Prospectus.

Financial data of LIW has been translated from British Pounds Sterling to U.S. Dollars using the exchange rate in effect at the end of the respective period presented.

<TABLE>  
<CAPTION>

|  | TWELVE MONTHS<br>ENDED<br>DECEMBER 31,<br>1996 (1) (2) | NINE MONTHS ENDED<br>SEPTEMBER 30,<br>-----<br>1996 (1) (2)      1997 (1) (2)<br>----- |              |
|--|--|--|--------------|
| <S>  | <C>  | <C>  | <C>          |
| Revenues.....  | \$ 1,638,841   | \$ 1,167,118   | \$ 1,089,004 |
| Transportation and other direct costs.....                         | 1,235,108  | 892,246  | 818,439      |
|  | -----  | -----  | -----        |
| Net revenues.....  | 403,733  | 274,872  | 270,565      |
| Other operating expenses.....                                      | 380,404  | 257,228  | 252,909      |
| Depreciation and amortization.....                                 | 33,079   | 23,870   | 24,455       |
|  | -----  | -----  | -----        |
| Operating loss.....  | (9,750)  | (6,226)  | (6,799)      |
| Interest expense, net and amortization of debt issuance costs..... | 10,967   | 7,997  | 8,867        |
| Share of loss in equity investments.....                           | 2,344  | 1,093  | 914          |
| Other income, net.....   | (676)  | (368)  | (135)        |
|  | -----  | -----  | -----        |
| Loss before income taxes and minority interests.....               | (22,385)   | (14,948)   | (16,445)     |
| Income tax provision (benefit).....                                | (136)  | (1,127)  | (4,376)      |
|  | -----  | -----  | -----        |
| Loss before minority interests.....                                | (22,249)   | (13,821)   | (12,069)     |
|  | -----  | -----  | -----        |
| Minority interests.....  | (706)  | (762)  | (361)        |
|  | -----  | -----  | -----        |
| Net loss.....  | \$ (22,955)  | \$ (14,583)  | \$ (12,430)  |
|  | -----  | -----  | -----        |
| OTHER FINANCIAL DATA:  |  |  |              |
| EBITDA (3).....  | \$ 22,818  | \$ 17,965  | \$ 16,182    |
|  | -----  | -----  | -----        |
| Cash advances to affiliates, net.....                              | \$ (1,187)   | \$ (47)  | \$ (1,609)   |
| Cash interest expense (4).....                                     | 11,715   | 7,637  | 8,288        |
| Capital expenditures.....  | 6,118  | 4,825  | 7,097        |
| Ratio of earnings to fixed charges (5) (6).....                    | --   | --   | --           |

</TABLE>

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<TABLE>  
<CAPTION>

|   | SEPTEMBER 30, 1997<br>----- |
|---|-----------------------------|
| <S>   | <C>                         |
| BALANCE SHEET DATA:                             |                             |
| Current assets.....                             | \$ 319,638                  |
| Property and equipment, net.....                | 48,167                      |
| Total assets.....                               | 473,401                     |
| Current liabilities.....                        | 295,131                     |
| Long-term debt (including current portion)..... | 119,725                     |
| Other noncurrent liabilities.....               | 35,624                      |
| Minority interest.....                          | 2,403                       |
| Stockholders' equity.....                       | 26,905                      |

</TABLE>

(1) For a description of purchase accounting and pro forma adjustments, see the notes to the Unaudited Pro Forma Condensed Balance Sheet and Statements of Operations included elsewhere herein.

(2) Amounts for LIW and its predecessor have been translated from British Pounds Sterling into U.S. Dollars using the period end exchange rate for convenience purposes only. In addition, certain amounts of LIW and its predecessor have been adjusted to conform to U.S. GAAP. See Notes 24 and 25 to the Combined and Consolidated Financial Statements of LIW, Note 8 to the Unaudited Interim Consolidated Financial Statements of LIW and "Prospectus Summary--Exchange Rates" included elsewhere herein.

- (3) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization, and other non-cash items such as share of loss in equity investments and minority interests. EBITDA also includes other income and expenses and cash advances to and cash dividends received from companies accounted for under the equity method or consolidated subsidiaries in which LIW has a controlling interest. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. EBITDA is not necessarily a measure of the Company's ability to fund its cash needs. See the Consolidated Statements of Cash Flows of the Company and of LIW and the related notes thereto included in this Prospectus. EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the ability to service debt.
- (4) "Cash interest expense" represents interest expense recorded in the statement of operations less amortization of deferred financing costs. Total debt and cash interest expense give effect to the Old Notes Offering and other interest bearing debt after application of proceeds from the Old Notes Offering. See "Use of Proceeds" and "Historical and Pro Forma Consolidated Capitalization."
- (5) For purposes of this computation, fixed charges consist of interest expense and amortization of deferred financing costs and the estimated portion of rental expense attributable to interest. Earnings consist of income (loss) before income taxes excluding losses from equity investments plus fixed charges.
- (6) Pro forma earnings were inadequate to cover pro forma fixed charges by \$20,696, \$14,141 and \$15,531 for the twelve months ended December 31, 1996 and for the nine months ended September 30, 1996 and 1997, respectively.

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#### RISK FACTORS

EXCEPT FOR HISTORICAL INFORMATION CONTAINED IN THIS PROSPECTUS, THE MATTERS DISCUSSED HEREIN CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), SUCH AS PLANS FOR FUTURE EXPANSIONS, CAPITAL SPENDING AND FINANCING SOURCES. SUCH FORWARD-LOOKING STATEMENTS ARE INHERENTLY UNCERTAIN, AND INVESTORS MUST RECOGNIZE THAT ACTUAL RESULTS MAY DIFFER FROM MANAGEMENT'S EXPECTATIONS. KEY FACTORS AFFECTING CURRENT AND FUTURE OPERATIONS OF THE COMPANY INCLUDE THE FACTORS DISCUSSED BELOW. THE NOTEHOLDERS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN ADDITION TO THE OTHER INFORMATION SET FORTH IN THIS PROSPECTUS BEFORE TENDERING THEIR OLD NOTES IN THE EXCHANGE OFFER.

#### RESTRICTIONS UPON TRANSFER OF AND LIMITED TRADING MARKET FOR OLD NOTES

The New Notes will be issued in exchange for the Old Notes only after timely receipt by the Exchange Agent of tenders of such Old Notes. Therefore, Noteholders desiring to tender such Old Notes in exchange for the New Notes should allow sufficient time to ensure timely delivery. Neither the Exchange Agent nor the Company is under any duty to give notification of defects or irregularities with respect to tenders of the Old Notes for exchange. The Old Notes that are not tendered or are tendered but not accepted will, following consummation of the Exchange Offer, continue to be subject to the existing restrictions upon transfer thereof. In addition, any holder of the Old Notes who tenders in the Exchange Offer for the purpose of participating in a distribution of the New Notes will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer who receives New Notes for its own account in exchange for the Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or any other trading activities, must acknowledge that it will deliver a Prospectus in connection with any resale of such New Notes. See "Plan of Distribution." To the extent that the Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. See "The Exchange Offer."

#### LIMITED OPERATING HISTORY; NET LOSSES

ILOG was incorporated on February 14, 1996 and acquired (i) Bekins in May 1996, (ii) LEP and a 33.3% minority interest in LIW in October 1996, (iii) Matrix in November 1996 and (iv) an additional 41.9% interest in the common equity of LIW in September 1997. Accordingly, the Company has only a limited combined operating history upon which an evaluation of the Company and its prospects can be based. After giving effect to certain purchase accounting adjustments made in connection with the acquisitions of Bekins, LEP and Matrix, which resulted in approximately \$104.0 million in intangible assets, the Company



incurred net losses of \$9.2 million for its first year of operations and net losses of \$13.3 million for the nine months ended September 30, 1997. On the same basis, for the nine months ended September 30, 1997, pro forma earnings were inadequate to cover fixed charges by \$15.5 million. Net losses for the year ended December 31, 1996 and the nine months ended September 30, 1997 included amortization expenses of \$14.8 million and \$16.3 million, respectively, relating to intangible assets. It is expected that the Company will incur net losses for the remainder of the 1997 fiscal year. There can be no assurances that the Company will achieve profitability, will improve EBITDA or will be able to meet fixed charges. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### LEVERAGE AND DEBT SERVICE OBLIGATIONS

The Company has substantial fixed debt service in addition to operating expenses. The Company used the net proceeds from the Old Notes Offering to repay all amounts outstanding under the Old Credit Facility and, concurrently with the closing of the Old Notes Offering, entered into the New Credit Facility. See "New Credit Facility." As of September 30, 1997, after giving pro forma effect to the New Credit Facility, the LIW Acquisition and the Old Notes Offering and the application of the net proceeds therefrom, the Company's total consolidated indebtedness would have been \$119.7 million, consisting of the Old Notes and \$9.7 million of other indebtedness, and the Company's ratio of pro forma EBITDA to cash interest expense for the nine months ended September 30, 1997 would have been 2.0 to 1.0.

The Company's ability to make scheduled payments of principal of, or interest on, or to refinance its indebtedness will depend on the availability of funding under its New Credit Facility and on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels and financial, competitive, business and other factors beyond the Company's control. The degree to which the Company is leveraged could have important

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consequences to the holders of the New Notes, including the following: (i) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other purposes may be impaired, (ii) the Company's flexibility in planning for or reacting to changes in market conditions may be limited, (iii) the Company's vulnerability in the event of a downturn in its business and (iv) the Company's ability to finance contingencies related to tax and regulatory matters and payments due under incentive and stock repurchase arrangements. See "Business -- Litigation" and "Management--Incentive Compensation Plans--Employee Stock Ownership." The Company anticipates that the refinancing effected by the application of the proceeds of the Old Notes Offering will reduce its principal repayment obligations in the near future; however, under the terms of the Indenture and the New Credit Facility, the Company may continue to incur additional indebtedness, including indebtedness that may be incurred to fund future distributions to stockholders of the Company. The Company believes that, based on anticipated levels of operations, it should be able to meet its debt service obligations, including interest payments on the Notes, when due. If, however, the Company cannot generate sufficient cash flow from operations to meet its obligations, the Company might be required to refinance its indebtedness or dispose of assets to obtain funds for such purpose. There is no assurance that any such refinancing or asset dispositions could be effected on satisfactory terms, if at all, or would be permitted by the terms of the New Credit Facility or the Indenture pursuant to which the Old Notes were issued and the New Notes will be issued. In the event that the Company is unable to refinance the New Credit Facility or raise funds through asset sales, sales of equity or otherwise, its ability to pay principal of and interest on the New Notes would be materially adversely affected.

#### HOLDING COMPANY STRUCTURE; SUBSIDIARY OPERATIONS

The Company conducts its operations through subsidiaries. Substantially all of the assets of the Company are owned by its subsidiaries and the Company has no significant assets of its own other than cash, cash equivalents and equity interests in subsidiaries of the Company. As a holding company, the Company is dependent on distributions or other intercompany transfers of funds from its subsidiaries to meet its debt service and other obligations, including the payment of principal of and interest on the New Notes. The Company does not own all of the equity interests of certain of its subsidiaries, and consequently must share profits with certain minority shareholders. See "Business -- Ownership of LIW Subsidiaries." Distributions and intercompany transfers from the Company's subsidiaries to the Company may be restricted by covenants contained in debt agreements and other agreements to which such subsidiaries may be subject and may be restricted by other agreements entered into in the future and by applicable law. There can be no assurance that the operating results of the Company's subsidiaries at any given time will be sufficient to make distributions to the Company. The Company's right and the rights of its creditors, including holders of New Notes, to participate in the distribution of assets of any subsidiary of the Company upon such subsidiary's liquidation or recapitalization will be subject to the prior claims of such subsidiary's creditors.

The New Credit Facility and the Indenture contain certain restrictive covenants including, among other things, limitations on the ability of the Company and its Restricted Subsidiaries to incur additional indebtedness, create liens and other encumbrances, make certain payments and investments, enter into transactions with affiliates, sell or otherwise dispose of assets and merge or consolidate with another entity. Although the covenants are subject to various exceptions which are designed to allow the Company to operate without undue restraint, there can be no assurance that such covenants will not adversely affect the Company's ability to finance future operations or capital needs or engage in other activities which may be in the interest of the Company. In June 1997, the Company obtained a waiver from its bank under the Old Credit Facility for non-compliance of covenants contained in the Old Credit Facility regarding earnings and limits on capital expenditures. Although the Company was not in compliance with the covenants under the Old Credit Facility at September 30, 1997 the debt was repaid in October 1997 and no waiver was required. The Company is required under the New Credit Facility to maintain certain financial ratios. The Company's ability to comply with such provisions will be dependent upon its future performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which are beyond the Company's control. Accordingly, no assurance can be given that the Company will maintain a level of operating cash flow that will permit it to service its obligations and to satisfy the financial covenants in the New Credit Facility. A breach of any of these covenants or the inability of the Company to comply with the required financial ratios could result in a default under the New Credit Facility, which would entitle the lenders thereunder to accelerate the maturity of the New Credit Facility, and could result in cross-defaults permitting the acceleration of other indebtedness of the Company, including the New Notes. Such an event would materially adversely affect the Company's ability to make payments on the New Notes. See "New Credit Facility" and "Description of the New Notes."

#### ENFORCEABILITY OF THE SUBSIDIARY GUARANTIES; FRAUDULENT CONVEYANCE CONSIDERATIONS

The Subsidiary Guarantors will guarantee the Company's obligations under the New Notes. Initially, the Subsidiary Guarantors will consist of Bekins, LEP-USA, Matrix and three special-purpose direct domestic subsidiaries, the sole assets of which will be LEP-Canada and LIW. See "Description of the New Notes --Subsidiary Guaranties." Under applicable provisions of the federal bankruptcy law or comparable provisions of state law, if any Subsidiary Guarantor is insolvent at the time it incurs its Subsidiary Guaranty, such Subsidiary Guaranty could be voided, or claims in respect of such Subsidiary Guaranty could be subordinated to all other debts of such Subsidiary Guarantor. The measures of insolvency will vary depending upon the law applied in any such proceeding. Generally, however, the Subsidiary Guarantors may be considered insolvent if the sum of their debts, including contingent liabilities, is greater than the fair market value of all of their assets at a fair valuation or if the present fair market value of their assets is less than the amount that would be required to pay their probable liability on their existing debts, including contingent liabilities, as they become absolute and mature. See "Description of the New Notes--Ranking."

The incurrence by the Company or the Subsidiary Guarantors of indebtedness such as the New Notes or the Subsidiary Guaranties, respectively, may be subject to review under relevant U.S. federal and state fraudulent conveyance laws if a bankruptcy case or a lawsuit (including in circumstances where bankruptcy is not involved) is commenced by or on behalf of unpaid creditors of the Company or the Subsidiary Guarantors. Under these laws, if a court were to find that, at the time the New Notes were issued, either (a) any of the Company or the Subsidiary Guarantors incurred debt represented by the New Notes or Subsidiary Guaranties, respectively, with the intent of hindering, delaying or defrauding creditors or (b) any of the Company or the Subsidiary Guarantors received less than reasonably equivalent value or consideration for incurring the indebtedness represented by the New Notes or such Subsidiary Guaranties, respectively, and (i) was insolvent or was rendered insolvent by reason of such transaction, (ii) was engaged in a business or transaction for which the assets remaining with such entity constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, such court may subordinate the New Notes or such Subsidiary Guaranty to presently existing and future indebtedness of such entity, void the issuance of the New Notes or any Subsidiary Guaranty or direct the repayment of any amounts paid thereunder to such entity or to a fund for the benefit of such entity's creditors or take other action detrimental to the holders of the New Notes. Because substantially all of the Company's obligations (including trade payables) are at the subsidiary level, any such voiding of the New Notes or the Subsidiary Guaranties would effectively subordinate the New Notes and such Subsidiary Guaranties, respectively, to such obligations.

The Company believes that it and each Subsidiary Guarantor will receive equivalent value at the time the indebtedness represented by the New Notes and the Subsidiary Guaranties, respectively, is incurred. In addition, the Company

does not believe that it, as a result of the issuance of the New Notes, or any Subsidiary Guarantor as a result of the issuance of the Subsidiary Guaranties, (i) will be insolvent or rendered insolvent under the foregoing standards, (ii) will be engaged in a business or transaction for which its remaining assets constitute unreasonably small capital or (iii) intends to incur, or believes that it will incur, debts beyond its ability to pay such debts as they mature. These beliefs are based on the Company's and each Subsidiary Guarantor's operating history and net worth and management's analysis of internal cash flow projections and estimated values of assets and liabilities of each such entity at the time of the Old Notes Offering. There can be no assurance, however, that a court passing on these issues would make the same determination. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds."

#### UNCERTAINTIES RELATING TO OPERATIONS AND ACQUISITION OF LIW

In January 1996, certain members of the senior management of LEP Group plc formed LIW and acquired the freight forwarding business of LEP Group plc. LEP Group plc and its operating subsidiaries, including the freight forwarding business, had experienced substantial financial difficulties, and, immediately following the management buy-out of the freight forwarding business, LEP Group plc was placed into an administrative receivership. Notwithstanding the separation of LIW from LEP Group plc, LIW's reputation, business and operations have been adversely affected by LEP Group plc's historical financial difficulties.

In addition, certain of LIW's operating subsidiaries have incurred historical operating losses that have threatened such subsidiaries' solvency and certain of the LIW operating subsidiaries' credit facility providers have withdrawn financing to such subsidiaries or have indicated that outstanding indebtedness must be refinanced or restructured. LIW incurred

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a net loss of L3.0 million (\$4.9 million) for the period from January 24, 1996 (the date on which the management buy-out was consummated) to December 31, 1996 and a net loss of L2.8 million (\$4.5 million) for the nine month period ended September 30, 1997. Furthermore, LIW has faced and is encountering numerous other challenges relating to the worldwide integration of its financial and operating systems, increased competition resulting from deregulation, and various customs and tax matters in dispute involving approximately L11.6 million (\$18.8 million). See "Business--Litigation." Moreover, the purchase obligation for the minority equity interests not owned by LIW in its Italian affiliate will require payments totaling approximately L.6 million (approximately \$1.0 million) over the next two years, and minority shareholders in certain of LIW's foreign subsidiaries hold significant interests in the profits of such subsidiaries and have a significant say in management and control issues related to such subsidiaries. Successful integration of such entities may depend on maintaining satisfactory relationships with such minority shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Ownership of LIW Subsidiaries." While the Company believes that it will be able to integrate LIW successfully and improve its results of operations, there can be no assurances that future operations of LIW will be profitable or that the operations of LIW will not have a material adverse effect on the Company as a whole.

#### INTEGRATION OF ACQUISITIONS

The Company has experienced significant growth in the past through the Subsidiary Acquisitions. The Company's future operations and earnings will be largely dependent upon the Company's ability to continue to integrate the operations of the companies acquired in the Subsidiary Acquisitions, particularly LIW, into the current operations of the Company. Although the Company believes that the Subsidiary Acquisitions, and in particular the recently consummated LIW Acquisition, offer opportunities for long-term efficiencies in operations and that the combined operations of Bekins, Matrix, LEP and LIW should positively affect future results of the operations of the Company, such acquisitions may materially adversely affect the Company's financial performance in 1997 and beyond until such time as the Company is able to realize the positive effect of expected long-term efficiencies of such acquisitions. As a result of the Subsidiary Acquisitions, the combined companies are more complex and diverse than the stand-alone operations of the Company prior to the Subsidiary Acquisitions. The combination and continued operation of the businesses of the Company's subsidiaries may present significant challenges for the Company's management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel and administrative functions of such businesses. There can be no assurance that the Company will be able to successfully integrate and streamline overlapping functions with respect to any or all of such entities, or, if successfully accomplished, that such integration will not be more costly to accomplish than presently contemplated by the Company. The difficulties of such integration may be increased by the necessity of coordinating geographically separate organizations. The continued integration of certain operations of the Company's subsidiaries will require the dedication of management resources which may distract attention from the day-to-day business

of the combined companies in the short- and long-term. Failure to effectively and completely accomplish the integration of operations of the Company's subsidiaries could have a material adverse effect on the Company's results of operations and financial condition.

#### COMPETITION

The transportation and logistics services industry is highly competitive. The Company competes against other integrated logistics companies and third party carriers offering logistics services. The Company also competes with truck lines for the services of fleet contractors and drivers. Competition is based primarily on freight rates, quality of service, reliability, transit times and scope of operations. Several other logistics companies, third party brokers and numerous carriers have substantially greater financial and other resources and are more established than the Company. Additionally, the Company competes against carriers' internal sales forces and shippers' transportation departments.

As the Company expands its international operations, it expects to encounter increased competition from those service providers that have a predominantly international focus, including Air Express International Corporation, Expeditors International of Washington, Inc., Fritz Companies Inc., Circle International Group, Inc., Kuehne & Nagel, Panalpina and NFC plc, as well as from its competitors for domestic freight forwarding such as Burlington Air Express, Inc., Eagle USA Air Freight Inc. and Emery Air Freight Corp. Many of these competitors have substantially greater financial resources than the Company. The Company also encounters competition from regional and local air freight forwarders and HHG relocators such as North American Van Lines, Allied Van Lines Inc., Atlas Van Lines Inc. and UniGroup, Inc. (United Van Lines, Inc. and Mayflower Transit, Inc.), cargo sales agents and brokers, surface freight forwarders and carriers, and associations of shippers organized for the purpose of consolidating their members' shipments to obtain lower freight rates

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from carriers. Deregulation has also increased competitive pressures on pricing. The intense competition to which the Company is subject could materially adversely affect the Company's operating margins. See "Business--Competition and Business Conditions."

#### RANKING

The Indenture permits the Company and its Restricted Subsidiaries to incur additional senior indebtedness provided certain financial or other conditions are met. The New Notes and the Subsidiary Guaranties will be senior unsecured obligations and will rank PARI PASSU in right of payment with all existing and future senior unsecured indebtedness of the Company and the Subsidiary Guarantors, respectively. In addition, the New Notes and the Subsidiary Guaranties will be effectively subordinated to all existing and future Secured Indebtedness of the Company and the Subsidiary Guarantors, respectively, to the extent of the value of the assets securing such indebtedness and all existing and future indebtedness and other liabilities (including trade payables) of the Company's non-guarantor subsidiaries. As of September 30, 1997, after giving pro forma effect to the LIW Acquisition, the New Credit Facility and the Old Notes Offering and the application of the net proceeds therefrom, (i) the Company would have had no outstanding Secured Indebtedness and the Subsidiary Guarantors would have had approximately \$0.2 million of outstanding Secured Indebtedness to which the New Notes and the Subsidiary Guaranties would be effectively subordinated to the extent of the value of the assets securing such indebtedness, (ii) all indebtedness and other liabilities (including trade payables) of the Company's non-guarantor subsidiaries would have been approximately \$109.3 million, to which the New Notes and the Subsidiary Guaranties would be effectively subordinated and (iii) the Company and the Subsidiary Guarantors would have had \$44.9 million of outstanding indebtedness ranking PARI PASSU with the New Notes and the Subsidiary Guaranties (consisting of trade accounts payable of ILOG and Subsidiary Guarantors). The New Credit Facility is secured by certain assets of the Company and its Restricted Subsidiaries and therefore, the New Notes and the Subsidiary Guaranties will be effectively subordinated to the New Credit Facility to the extent of the value of the assets securing such indebtedness. Holders of existing or future Secured Indebtedness of the Company and its Restricted Subsidiaries permitted under the Indenture, including the New Credit Facility, and holders of existing or future indebtedness of the Company's non-guarantor subsidiaries will have claims with respect to certain assets of the Company and such subsidiaries that are prior to the claims of holders of the New Notes. See "Description of the New Notes --Ranking."

#### RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS

After giving pro forma effect to the Subsidiary Acquisitions, the Company derived approximately 63.4% and 56.0% of its total revenue from sales outside the United States in the fiscal year ended December 31, 1996 and the nine months ended September 30, 1997, respectively. As of June 30, 1997, the Company had operations in 33 countries, utilizing the services of approximately 1,632 employees in the United States and 4,720 employees in other countries and

maintained strategic alliance partnerships with 57 partners in 42 additional countries. International operations are subject to a number of risks, including longer accounts receivable collection periods and greater difficulty in accounts receivable collections in certain geographic regions, unexpected changes in regulatory requirements, import and export restrictions, delays and tariffs, difficulties and costs of staffing and managing international operations, potentially adverse tax consequences, political instability, share ownership restrictions on foreign operations, currency fluctuations, the burdens of complying with multiple, potentially conflicting laws and the impact of business cycles and economic instability. There can be no assurance that the geographic, time zone, language and cultural differences between the Company's international personnel and operations will not result in problems that materially adversely affect the Company's business, operating results and financial condition.

The Company expects to commit additional time and resources to expanding its worldwide sales and marketing activities, globalizing its products in selected markets and developing local sales and support channels. There can be no assurance that such efforts will be successful. Failure to sustain international revenue could have a material adverse effect on the Company's business, operating results and financial condition. The Company may also experience an operating loss in one or more regions of the world for one or more periods. The Company's ability to manage such operational fluctuations and to maintain adequate long-term strategies in the face of such developments will be critical to the Company's continued growth and profitability. See "Management's Discussion and Analysis of Financial Condition and the Results of Operations" and "Business--Marketing."

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#### EXPOSURE TO CURRENCY FLUCTUATIONS

To date the Company's revenue from international operations has primarily been denominated in U.S. Dollars. After giving pro forma effect to the LIW Acquisition, the proportion of revenues and expenses denominated in currencies other than U.S. Dollars will increase dramatically. As of June 30, 1997, after giving pro forma effect to the LIW Acquisition, 41.8%, 12.0%, 11.6% and 4.9% of the Company's accounts receivable were denominated in U.S. Dollars, British Pounds Sterling, German Deutschmarks and Canadian Dollars, respectively. The remainder of the Company's accounts receivable were denominated in various other European and Asian currencies of the countries in which LIW operates. In addition, a portion of the borrowings under the New Credit Facility may be denominated in British Pounds Sterling, Canadian Dollars and other foreign currencies to the extent permitted by the New Credit Facility. As a result, fluctuations in the values of the respective currencies relative to the other currencies in which the Company generates revenue could materially adversely affect its business, operation results and financial condition. Adoption of the new European currency may affect the fluctuations. Fluctuations in currencies relative to the U.S. Dollar will affect period-to-period comparisons of the Company's reported results of operations. Due to the constantly changing currency exposures and the volatility of currency exchange rates, there can be no assurance that the Company will not experience currency losses in the future, nor can the Company predict the effect of exchange rate fluctuations upon future operating results. The Company has not in the past undertaken hedging transactions due to the previously limited exposure and impact of currency fluctuations on financial results. The Company may choose to hedge a portion of its currency exposure in the future as it deems appropriate. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### IMPLEMENTATION AND INTEGRATION OF MANAGEMENT INFORMATION SYSTEMS; YEAR 2000 SOLUTIONS

The Company utilizes FAST 400, a proprietary system for the real-time management of shipments on a multi-modal, multi-currency and multi-lingual basis, in certain of its operations. The Company believes that FAST 400 is the most advanced information system of its type currently in use in the global freight forwarding industry. The Company expects to spend approximately \$30.0 million over the next three years to conclude the implementation and integration of FAST 400 and its related BUSINESS 400 systems globally, purchase additional information systems equipment and software upgrades and integrate the system capabilities of its Company's subsidiaries. The failure of the Company's management information systems to adapt to the Company's business needs or the failure of the Company to successfully implement these systems could have a material adverse effect on the Company.

The planned expenditures for information systems include significant costs during the next two to three years to address the inability of certain information systems, primarily computer software programs, to properly recognize and process date sensitive information after December 31, 1999 (the "Year 2000 Problem"). The Company has completed an assessment of its information systems and has developed a specific workplan to address the Year 2000 Problem through the introduction of new financial software for all of its subsidiaries. Of the \$30.0 million required to implement and integrate the FAST 400 and related BUSINESS 400 systems globally, approximately \$6.0 million will be spent to complete the upgrade and integration of the Company's North American subsidiaries' accounting systems and simultaneously address the Year 2000

Problem. Such costs may have a material adverse effect on the Company's results of operation in the near future. The Company believes it will be able to modify or replace its affected systems to minimize any detrimental effect that the Year 2000 Problem may have on the Company's long-term results of operations, liquidity or consolidated financial position. However, no assurance can be given that the Year 2000 Problem will be resolved without any future disruption or that the Company will not incur significant expense in resolving the issue. See "Business--Information Systems."

#### PRINCIPAL STOCKHOLDERS

As of September 30, 1997, TCW Special Credits Fund V--The Principal Fund (the "Principal Fund") and OCM Principal Opportunities Fund, L.P. (the "Opportunities Fund" and together with the Principal Fund, the "Oaktree Entities") owned 1,295,575 shares of Common Stock, representing approximately 62.4% of the outstanding shares of Common Stock (or 46.5% on a fully-diluted basis). As of September 30, 1997, Logistical Simon, L.L.C. ("Logistical Simon") owned 469,532 shares of Common Stock representing approximately 22.6% of the outstanding shares of Common Stock (or 21.3% on a fully-diluted basis). The Oaktree Entities and Logistical Simon are parties to a Stockholders Agreement (the "Stockholders Agreement") pursuant to which the parties thereto have agreed to elect a board of directors consisting of (i) two individuals appointed by the Opportunities Fund, (ii) one individual appointed by the Principal Fund, (iii) three individuals appointed by WESS, (iv) the Chief Executive Officer of the Company and (v) William E. Myers, Jr. In addition,

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pursuant to the terms of the Stockholders Agreement, under certain circumstances, the consent of directors appointed by each of Logistical Simon and the Oaktree Entities will be required to effect any material action of the Board of Directors. As a result, because of concentration of ownership of Common Stock of the Company by the Oaktree Entities and Logistical Simon and the provisions of the Stockholders Agreement, the Oaktree Entities and Logistical Simon may be in a position to influence the Company at both the Board of Directors and stockholder levels. There can be no assurance that the Oaktree Entities and Logistical Simon will exercise their power over the Common Stock in a manner that is consistent with, or that will not have a material adverse effect on, the interests of the holders of the New Notes. See "Principal Stockholders" and "Certain Relationships and Related Transactions."

#### DEPENDENCE ON KEY PERSONNEL

The Company believes that its future success will be highly dependent upon its ability to attract and retain skilled managers and other personnel, including Roger E. Payton, the Company's other executive officers and its regional managers. The loss of the services of any such managers and personnel could have a material adverse effect on the Company.

#### RELIANCE ON INDEPENDENT AGENTS

The Company relies in part upon the services of independent agents to market its transportation services, to act as intermediaries with customers and to provide services on behalf of the Company. Although the Company believes its relationship with its agents is satisfactory, there can be no assurance that the Company will continue to be successful in retaining its agents or that agents who terminate their contracts can be replaced by equally qualified companies. Because the agents occasionally have the primary relationship with customers, some customers could be expected to terminate their relationship with the Company if a particular agent were to terminate his or her relationship with the Company. See "Business--Operations."

#### CHARACTERISTICS OF THE LOGISTICS INDUSTRY

As a participant in the global logistics services industry, the Company's business is dependent upon a number of factors including the availability of transportation equipment and warehousing and distribution facilities at cost-effective rates and on reasonable terms and conditions. Such services and facilities are often provided by independent third parties. Shortages of cargo space are most likely to develop in and around the holiday season and in exceptionally heavy transportation lanes. Shortages in available space could also be triggered by economic conditions, transportation strikes, regulatory changes and other factors beyond the control of the Company. The future operating results of the Company could be materially adversely affected by significant shortages of suitable cargo space and associated increases in rates charged by passenger airlines and other providers of such cargo space. In addition, if the Company were unable to secure sufficient equipment or attract and retain sufficient personnel drivers and owner-operators to meet its customers' needs, its results of operations could be materially adversely affected. Finally, the Company's operating results would be materially adversely affected if the Company were unable to arrange suitable warehousing and distribution facilities to support its customers' logistics services needs because the Company's production would be limited to transportation-based services which are typically lower margin and subject to greater competitive pressures than logistics services. See "Business--Competition and Business



Conditions."

From time to time, third parties, including the Internal Revenue Service ("IRS") and state authorities, have sought to assert, and at times have been successful in asserting, that independent owner-operators in the transportation industry, including those of the type utilized in connection with the Company's local pick-up and delivery operations, are "employees," rather than "independent contractors." Although the Company believes that the independent owner-operators utilized by it are not employees, there can be no assurance that the IRS and state authorities or others will not challenge this position, or that federal and state tax or other applicable laws, or interpretations thereof, will not change. If they do, the Company could incur additional employee benefit related expenses and could be liable for additional taxes, penalties and interest for prior periods and additional taxes for future periods. See "Business--Employees."

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#### VULNERABILITY TO ECONOMIC CONDITIONS

The Company's future operating results may be dependent on the economic environments in which it operates. Demand for the Company's services could be materially adversely affected by economic conditions in the industries of the Company's customers. Interest rate fluctuations, economic recession, customers' business cycles, availability of qualified drivers, changes in fuel prices and supply, increases in fuel or energy taxes and the transportation costs of third party carriers are all economic factors over which the Company has little or no control. Increased operating expenses incurred by transportation carriers can be expected to result in higher transportation costs, and the Company's operating margins would be materially adversely affected if it were unable to pass through to its customers the full amount of increased transportation costs. Economic recession or a downturn in customers' business cycles, particularly in industries in which the Company has a large number of customers, could also have a materially adverse effect on the Company's operating results due to reduced volume of loads shipped. The Company expects that demand for the Company's services (and, consequently, its results of operations) will continue to be sensitive to domestic and, increasingly, global economic conditions and other factors beyond its control.

#### GOVERNMENT REGULATION

The Company's operations are subject to various state, local, federal and foreign regulations that in many instances require permits and licenses. The Company was issued a license by the Interstate Commerce Commission (the "ICC") permitting the Company to act as a broker in arranging for the transportation, by motor vehicle, of general commodities between points in the United States and as a motor carrier and freight forwarder. In 1996, the ICC was dissolved and responsibility for oversight of motor carriers, brokers and freight forwarders was assumed by the Surface Transportation Board (the "STB") of the Department of Transportation (the "DOT"). The STB prescribes qualifications for acting in this capacity, including certain surety bonding requirements. In its ocean freight forwarding business, the Company is licensed as an ocean freight forwarder and as a non-vessel operating common carriers ("NVOCC") by the Federal Maritime Commission. The Company's domestic customs brokerage agents are licensed by the United States Department of the Treasury and are regulated by the United States Customs Service. The Company's air freight forwarding business is subject to regulation, as an indirect air cargo carrier, under the Federal Aviation Act by the DOT. The Company's motor carrier operations are subject to safety regulations of the DOT related to such matters as hours of service by drivers, equipment inspection and equipment maintenance. The Company is also subject to similar regulations by the regulatory authorities of foreign jurisdictions in which the Company operates. The Company is also a common carrier and a contract motor carrier regulated by the STB and various state agencies. The Company is subject to various foreign and U.S. environmental laws. Numerous jurisdictions in Asia prohibit or restrict United States ownership of local logistics operations, and although the Company believes its ownership structure in Asia conforms to such laws, the matter is often subject to considerable regulatory discretion and there can be no assurance local authorities would agree with the Company.

Any violation of the laws and regulations discussed above could increase claims and/or liability, including claims for uninsured punitive damages. Violations also could subject the Company to fines or, in the event of a serious violation, suspension, revocation of operating authority or criminal penalties. All of these regulatory authorities have broad powers generally governing activities such as authority to engage in motor carrier operations, rates and charges, and certain mergers, consolidations and acquisitions. Although compliance with these regulations has not had a materially adverse effect on the Company's operations or financial condition in the past, there can be no assurance that such regulations or changes thereto will not materially adversely impact the Company's operations in the future. See "Business -- Regulation."

Certain federal officials have announced that they are considering implementing increased security measures with respect to air cargo. There can be no assurance as to what, if any, regulations will be adopted or what, if



adopted, their ultimate effect on the Company will be. Failure of the Company to maintain required permits or licenses, or to comply with applicable regulations, could result in substantial fines or revocation of the Company's operating authorities. See "Business--Regulation."

#### PICK-UP AND DELIVERY CLAIMS EXPOSURE

The Company utilizes the services of a significant number of drivers in connection with its local pick-up and delivery operations and from time to time such drivers are involved in accidents. Although most of these drivers are independent contractors, there can be no assurance that the Company will not be held liable for the actions of such drivers. The Company currently carries, or requires its independent owner-operators to carry, liability insurance in varying amounts,

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depending on the country in which operations are being conducted, for each such accident. However, there can be no assurance that claims against the Company will not exceed the amount of coverage. If the Company were to experience a material increase in the frequency or severity of accidents, liability claims or workers' compensation claims, or unfavorable resolutions of claims, the Company's operating results and financial condition could be materially adversely affected. In addition, significant increases in insurance costs could reduce the Company's profitability.

#### CHANGE OF CONTROL

In the event of a Change of Control of the Company, the Company will be required, subject to certain conditions, to offer to purchase all outstanding New Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. Certain events involving a Change of Control may be an event of default under other indebtedness of the Company. Moreover, the exercise by the holders of the New Notes of their right to require the Company to purchase the New Notes may cause a default under such other indebtedness, even if the Change of Control does not. Finally, there can be no assurance that the Company will have the financial resources necessary to repurchase the New Notes upon a Change of Control. See "Description of the New Notes--Change of Control."

#### ABSENCE OF PUBLIC TRADING MARKET

Prior to this Exchange Offer, there has been no public market for the Old Notes which were sold pursuant to an exemption from registration under applicable securities laws. Like the Old Notes, the New Notes constitute a new issue of securities, have no established trading market and may not be widely distributed. The Initial Purchasers have informed the Company that they currently intend to make a market in the New Notes following the effectiveness of the Registration Statement; however, the Initial Purchasers are not obligated to do so and may discontinue such market-making activities at any time without notice.

Although the New Notes will be eligible for trading on The Portal-SM- Market ("PORTAL") of the Nasdaq Stock Market, Inc., the Company does not intend to list the New Notes on any securities exchange or to seek the admission thereof to trading in the Nasdaq Stock Market. If the New Notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the financial condition of, performance of and prospects for the Company. There can be no assurance as to the development of any market or liquidity of any market that may develop for the New Notes. If a market does develop, the price of the New Notes may fluctuate and liquidity may be limited. If a market for the New Notes does not develop, purchasers of the New Notes may be unable to resell such securities for an extended period of time, if at all.

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#### USE OF PROCEEDS

This Exchange Offer is intended to satisfy certain of the Company's obligations under the Registration Rights Agreement. The Company will not receive any cash proceeds from the issuance of the New Notes offered in the Exchange Offer. In consideration for issuing the New Notes as contemplated in this Prospectus, the Company will receive in exchange Old Notes in like principal amount, the form and terms of which are the same in all material respects as the form and terms of the New Notes except that the New Notes have been registered under the Securities Act and hence do not include certain rights to registration thereunder and do not contain transfer restrictions or terms with respect to special interest payments applicable to the Old Notes. The Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase in the indebtedness of the Company.

The net proceeds to the Company from the sale of the Old Notes were

approximately \$104.6 million (after deducting discounts to the Initial Purchasers and other expenses). Of the net proceeds of the Old Notes Offering (i) approximately \$72.5 million was used to repay all indebtedness outstanding under the Company's Old Credit Facility, (ii) approximately \$3.9 million has been used by the Company to repay certain outstanding indebtedness of LIW's subsidiaries and the Company anticipates that an additional \$4.1 million will be used to repay other outstanding indebtedness of LIW's subsidiaries, (iii) approximately \$9.8 million was used to finance the purchase price paid by the Company for the acquisition of certain shares of LIW capital stock and preference shares, (iv) approximately \$3.3 million was used to pay expenses relating to the LIW Acquisition, (v) approximately \$2.3 million was used to pay commitment fees and other fees and expenses associated with the execution of the Company's New Credit Facility, and (vi) approximately \$8.7 million is expected to be used for general working capital purposes. See "Recent Acquisitions--Acquisition of LIW," "New Credit Facility," "Unaudited Pro Forma Condensed Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

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#### HISTORICAL AND PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at September 30, 1997 and as adjusted to give pro forma effect to (i) the execution of the New Credit Facility, (ii) the issuance and sale of the Old Notes by the Company after deducting discounts and commissions and estimated expenses of the Old Notes Offering payable by the Company, and the application of the net proceeds therefrom and (iii) the acquisition of the remaining 24.8% of the equity of LIW, including the preference shares. See "Use of Proceeds," "Selected Consolidated Historical Financial Data of the Company" and "Unaudited Pro Forma Condensed Consolidated Balance Sheet." This table should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Prospectus.

<TABLE>

<CAPTION>

|  | AT SEPTEMBER 30, 1997     |                 |                       |
|--|---------------------------|-----------------|-----------------------|
|  | HISTORICAL<br>ILOG        | ADJUSTMENTS     | PRO FORMA<br>COMBINED |
|  | <C>                       | <C>             | <C>                   |
|  | (UNAUDITED, IN THOUSANDS) |                 |                       |
| Cash and cash equivalents.....                     | \$ 26,124                 | \$ 9,140 (1)    | \$ 35,264             |
| Long-term debt (including current portion):        |                           |                 |                       |
| Old Credit Facility.....                           | \$ 72,536                 | \$ (72,536) (1) | --                    |
| Other indebtedness (including capital leases)..... | 17,725                    | (8,000) (2)     | \$ 9,725              |
| New Credit Facility(3).....                        | --                        | --              | --                    |
| 9 3/4% Senior Notes Due 2007.....                  | --                        | 110,000         | 110,000               |
| Total debt.....                                    | 90,261                    | 29,464          | 119,725               |
| Stockholders' equity:                              |                           |                 |                       |
| Common stock.....                                  | 2                         | --              | 2                     |
| Additional paid-in capital.....                    | 52,101                    | --              | 52,101                |
| Retained earnings (accumulated deficit).....       | (22,497)                  | (2,340) (3)     | (24,837)              |
| Notes receivable from stockholders.....            | (357)                     | --              | (357)                 |
| Cumulative translation adjustment.....             | (4)                       | --              | (4)                   |
| Total stockholders' equity.....                    | 29,245                    | (2,340)         | 26,905                |
| Total capitalization.....                          | \$ 119,506                | \$ 27,124       | \$146,630             |

</TABLE>

- (1) The Company applied a portion of the proceeds of the Old Notes Offering to repay all ILOG indebtedness with respect to the Old Credit Facility outstanding as of the Issue Date (as defined). Increases in borrowings under such facility subsequent to September 30, 1997 resulted in decreases in funds applied to working capital. See "Use of Proceeds."
- (2) The Company is evaluating several alternatives with respect to the refinancing or repayment of indebtedness of certain LIW subsidiaries. While the Company is under no obligation to retire any of such borrowing facilities in connection with the Old Notes Offering, the Company has already applied \$3.9 million to reduce any principal amount outstanding and to cancel such facilities. The Company anticipates that it will apply approximately an additional \$4.1 million to reduce such borrowings or to replace such facilities. See "Use of Proceeds."

(3) Reflects the after-tax impact of the write-off of deferred financing costs associated with the repayment of the Old Credit Facility.

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# UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Financial Statements give effect to the acquisitions of Bekins, LEP-USA, LEP-Canada, Matrix and a 75.2% interest in LIW (the "Completed Acquisitions Adjustments"), and the Old Notes Offering, the New Credit Facility and the acquisition of the remaining 24.8% of the equity of LIW (the "Pro Forma Adjustments") as if they had occurred at the beginning of the respective period presented, for purposes of the pro forma statements of operations and other financial data, and as of September 30, 1997 for purposes of the pro forma balance sheet data. With respect to the nine months ended September 30, 1996, the financial statements of LIW have been derived from management reports. Management has made such adjustments to these reports as they believe are necessary for a fair presentation of the statement of operations with respect to the nine months ended September 30, 1996. However, there can be no assurances that such financial statements are as reliable or accurate as financial statements prepared using normal interim period or year-end financial reporting procedures. In addition, such financial statements have not been subject to independent review of the independent accountants of LIW or the Company.

The Unaudited Pro Forma Condensed Financial Statements do not purport to present the actual financial position or results of operations of the Company had the transactions and events assumed therein in fact occurred on the dates specified, nor are they necessarily indicative of the results of operations that may be achieved in the future. The Unaudited Pro Forma Condensed Financial Statements are based on certain assumptions and adjustments described in the notes to the Unaudited Pro Forma Condensed Financial Statements and should be read in conjunction therewith and with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Recent Acquisitions" and the Consolidated Financial Statements of the Company and LIW and the related notes thereto included elsewhere in this Prospectus.

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## INTERNATIONAL LOGISTICS LIMITED

### UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 1997

(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

<S>

|   | COMPANY   | PRO FORMA<br>ADJUSTMENTS | PRO FORMA |
|---|-----------|--------------------------|-----------|
|   | -----     | -----                    | -----     |
|   | <C>       | <C>                      | <C>       |
| ASSETS  |           |                          |           |
| Current assets:   |           |                          |           |
| Cash and cash equivalents.....                                    | \$ 26,124 | \$ 9,140 (1)             | \$ 35,264 |
| Accounts receivable, net.....                                     | 269,701   | --                       | 269,701   |
| Deferred tax asset.....   | 731       | --                       | 731       |
| Prepaid expenses and other current assets.....                    | 13,942    | --                       | 13,942    |
|   | -----     | -----                    | -----     |
| Total current assets.....   | 310,498   | 9,140                    | 319,638   |
| Property and equipment, net.....                                  | 46,697    | 1,470 (2)                | 48,167    |
| Deferred income taxes.....  | 9,729     | 1,560 (3)                | 11,289    |
| Intangibles, net.....   | 71,974    | 3,800 (3)                | 75,774    |
| Investments in affiliates.....                                    | 2,242     | --                       | 2,242     |
| Other assets.....   | 16,291    | --                       | 16,291    |
|   | -----     | -----                    | -----     |
| Total assets.....   | \$457,431 | \$15,970                 | \$473,401 |
|   | -----     | -----                    | -----     |
| LIABILITIES AND STOCKHOLDERS' EQUITY                              |           |                          |           |
| Current liabilities:  |           |                          |           |
| Accounts payable.....   | \$139,422 | --                       | \$139,422 |
| Accrued expenses.....   | 147,447   | \$ (3,300) (2)           | 144,147   |
| Income taxes payable.....   | 5,175     | --                       | 5,175     |
| Current portion long-term debt and capital lease obligations..... | 18,590    | (12,203) (4)             | 6,387     |
|   | -----     | -----                    | -----     |
| Total current liabilities.....                                    | 310,634   | (15,503)                 | 295,131   |
| Long-term debt and capital lease obligations.....                 | 71,671    | 41,667 (4)               | 113,338   |
| Other noncurrent liabilities.....                                 | 35,624    | --                       | 35,624    |
|   | -----     | -----                    | -----     |
| Total liabilities.....  | 417,929   | 26,164                   | 444,093   |
|   | -----     | -----                    | -----     |
| Minority Interest.....  | 2,205     | 198 (5)                  | 2,403     |
| Redeemable preferred stock.....                                   | 8,052     | (8,052) (2)              | --        |

|   |           |             |           |
|---|-----------|-------------|-----------|
| Stockholders' equity:                           |           |             |           |
| Common stock.....                               | 2         | --          | 2         |
| Additional paid-in capital.....                 | 52,101    | --          | 52,101    |
| Accumulated deficit.....                        | (22,497)  | (2,340) (3) | (24,837)  |
| Notes receivable from stockholders.....         | (357)     | --          | (357)     |
| Cumulative translation adjustment.....          | (4)       | --          | (4)       |
|   | -----     | -----       | -----     |
| Total stockholders' equity.....                 | 29,245    | (2,340)     | 26,905    |
|   | -----     | -----       | -----     |
| Total liabilities and stockholders' equity..... | \$457,431 | \$15,970    | \$473,401 |
|   | -----     | -----       | -----     |

</TABLE>

See accompanying Notes to Unaudited Pro Forma  
Condensed Consolidated Balance Sheet.

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
(DOLLARS IN THOUSANDS)

(1) Reflects an increase in cash as a result of the excess net proceeds from the Old Notes Offering. Increases in borrowings under the Old Credit Facility subsequent to September 30, 1997 resulted in decreases in funds applied to working capital.

(2) The acquisition of ordinary shares of LIW consummated on September 30, 1997 (initial purchase) has been accounted for as a purchase, applying the provisions of Accounting Principles Board Opinion No. 16. The excess of purchase cost over the book value of net assets acquired has been allocated to LIW's assets and liabilities based on their relative fair values as of the closing date of the LIW Acquisition, based on valuations and other studies that are not yet complete. The purchase of the remaining ordinary and preference shares (pro forma) will be accounted for in a similar manner. Accordingly, the excess of purchase cost over the book value of net assets acquired has not yet been fully allocated to the individual assets and liabilities acquired. However, the Company estimates as of September 30, 1997, the amount and allocation of the excess of purchase cost over the book value of net assets acquired in such transactions is as follows:

<TABLE>

<CAPTION>

|  | INITIAL<br>PURCHASE | PRO FORMA<br>ADJUSTMENTS | TOTAL     |
|--|---------------------|--------------------------|-----------|
|  | -----               | -----                    | -----     |
| <S>  | <C>                 |                          |           |
| Purchase cost of equity and preference shares.....   | \$ 426              | \$ 9,324                 | \$ 9,750  |
| Transaction costs.....   | 3,300               |                          | 3,300     |
| Direct acquisition costs to be accrued:  |                     |                          |           |
| Facility closing costs.....  | 4,000               |                          | 4,000     |
| Employee termination costs.....  | 2,000               |                          | 2,000     |
| Asset valuation adjustment:  |                     |                          |           |
| Accounts receivable.....   | 3,850               |                          | 3,850     |
| Investments in affiliates.....   | 2,500               |                          | 2,500     |
| Tax liabilities.....   | 1,650               |                          | 1,650     |
| Pension liability adjustment.....  | 3,000               |                          | 3,000     |
|  | -----               | -----                    | -----     |
| Total purchase cost.....   | 20,726              | 9,324                    | 30,050    |
| Book value of net assets acquired and redemption of preference shares.....                                 | (607)               | 7,854                    | 7,247     |
|  | -----               | -----                    | -----     |
| Excess of purchase cost over book value of net assets acquired allocated to<br>property and equipment..... | \$ 21,333           | \$ 1,470                 | \$ 22,803 |
|  | -----               | -----                    | -----     |

</TABLE>

(3) Reflects deferred financing costs of \$5,400 related to the issuance of the Old Notes and deferred financing costs of \$2,300 related to the establishment of the New Credit Facility, net of the write-off of the Old Credit Facility net deferred financing costs of \$3,900 resulting in an extraordinary loss of \$2,340 net of tax benefit of \$1,560.

(4) Reflects issuance of the Old Notes, net of repayment of the Old Credit Facility, as follows:

<TABLE>

<S>

|                                |                   |
|--------------------------------|-------------------|
| Issuance of the Old Notes..... | <C><br>\$ 110,000 |
| Less repayment of:             |                   |

|  |           |
|--|-----------|
| LIW long-term debt including current portion.....  | (8,000)   |
| ILOG long-term debt including current portion..... | (72,536)  |
| Current portion long-term debt.....                | 12,203    |
|  | -----     |
| Net adjustment to long-term debt.....              | \$ 41,667 |
|  | -----     |

</TABLE>

(5) Reflects the elimination of the 24.8% minority interest in LIW as if it were purchased by the Company.

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INTERNATIONAL LOGISTICS LIMITED  
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1996  
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

|   | COMPANY  | BEKINS (1)   | MATRIX  |  | LIW<br>PREDECESSOR (1)                                      |
|---|--|--|---|--|---|
| <S>   | <C>  | <C>  | <C>   | <C>                                      | <C>   |
|   | PERIOD FROM<br>MAY 2, 1996<br>TO<br>DECEMBER 31,<br>1996 | PERIOD FROM<br>JANUARY 1,<br>1996<br>TO<br>MAY 1, 1996 | PERIOD FROM<br>JANUARY 1, 1996<br>TO<br>NOVEMBER 6,<br>1996 | COMPLETED<br>ACQUISITIONS<br>ADJUSTMENTS | PERIOD FROM<br>JANUARY 1, 1996<br>TO<br>JANUARY 23,<br>1996 |
| Revenues.....   | \$ 225,793   | \$ 54,536  | \$ 68,156   | --                                       | \$ 117,056  |
| Transportation and other direct costs.....  | 181,208  | 44,285   | 51,747  | \$ (2,510) (3)                           | 95,235  |
| Net revenues.....   | 44,585   | 10,251   | 16,409  | 2,510                                    | 21,821  |
| Other operating expenses.....   | 37,554   | 8,523  | 8,565   | (996) (3)                                | 20,364  |
| Depreciation and amortization.....  | 16,310   | 977  | 317   | 8,885 (3)                                | 380   |
| Operating income (loss).....  | (9,279)  | 751  | 7,527   | (5,379)                                  | 1,077   |
| Interest expense, net.....  | 2,981  | 718  | 377   | 1,578 (3)                                | 168   |
| Share of (income) loss in equity<br>investments.....                                    | --   | --   | --  | --                                       | 147   |
| Other (income) expense.....   | --   | (20)   | --  | --                                       | --  |
| Income (loss) before income taxes,<br>extraordinary item and minority<br>interests..... | (12,260)   | 53   | 7,150   | (6,957)                                  | 762   |
| Income tax provision (benefit).....   | (4,013)  | 37   | 1,920   | (2,783) (7)                              | 318   |
| Income (loss) before extraordinary item and<br>minority interests.....                  | (8,247)  | 16   | 5,230   | (4,174)                                  | 444   |
| Extraordinary loss on early extinguishment<br>of debt, net of tax benefit of \$664..... | (997)  | --   | --  | --                                       | --  |
| Minority interests.....   | --   | --   | --  | --                                       | (45)  |
| Net income (loss).....  | \$ (9,244)   | \$ 16  | \$ 5,230  | \$ (4,174)                               | \$ 399  |
| Other Financial Data:   |  |  |   |  |   |
| EBITDA (8).....   | \$ 7,031   | \$ 1,748   | \$ 7,844  | \$ 3,506                                 | \$ 1,457  |
| Cash (advances to) dividends from<br>affiliates, net.....                               | --   | --   | --  | --                                       | --  |
| Cash interest expense (9).....  | \$ 2,718   | \$ 475   | \$ 377  | \$ 1,355                                 | \$ 260  |
| Capital expenditures.....   | 1,369  | 1,598  | 141   | --                                       | --  |
| Ratio of earnings to fixed<br>charges (10) (11).....                                    |  |  |   |  |   |

<CAPTION>

LIW (1)

-----

| <S>  | <C>  | <C>                      | <C>                   |
|--|--|--------------------------|-----------------------|
|  | PERIOD FROM<br>JANUARY 24,<br>1996<br>TO<br>DECEMBER 31,<br>1996 | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>COMBINED |
| Revenues.....                              | \$1,641,863  | \$ (468,563) (2)         | \$1,638,841           |
| Transportation and other direct costs..... | 1,333,706  | (468,563) (2)            | 1,235,108             |

|   |            |             |             |
|---|------------|-------------|-------------|
| Net revenues.....   | 308,157    | --          | 403,733     |
| Other operating expenses.....   | 307,394    | (1,000) (4) | 380,404     |
| Depreciation and amortization.....  | 3,930      | 2,280 (4)   | 33,079      |
|   | -----      | -----       | -----       |
| Operating income (loss).....  | (3,167)    | (1,280)     | (9,750)     |
| Interest expense, net.....  | 2,101      | 3,044 (5)   | 10,967      |
| Share of (income) loss in equity<br>investments.....                                    | 2,197      | --          | 2,344       |
| Other (income) expense.....   | (15,729)   | 15,073 (6)  | (676)       |
|   | -----      | -----       | -----       |
| Income (loss) before income taxes,<br>extraordinary item and minority<br>interests..... | 8,264      | (19,397)    | (22,385)    |
| Income tax provision (benefit).....   | 6,115      | (1,730) (7) | (136)       |
|   | -----      | -----       | -----       |
| Income (loss) before extraordinary item and<br>minority interests.....                  | 2,149      | (17,667)    | (22,249)    |
| Extraordinary loss on early extinguishment<br>of debt, net of tax benefit of \$664..... | --         | 997 (2)     | --          |
| Minority interests.....   | (661)      | --          | (706)       |
|   | -----      | -----       | -----       |
| Net income (loss).....  | \$ 1,488   | \$ (16,670) | \$ (22,955) |
|   | -----      | -----       | -----       |
| Other Financial Data:   |            |             |             |
| EBITDA(8).....  | \$ 15,305  | \$ (14,073) | \$ 22,818   |
|   | -----      | -----       | -----       |
| Cash (advances to) dividends from<br>affiliates, net.....                               | \$ (1,187) | --          | \$ (1,187)  |
| Cash interest expense(9).....   | 3,486      | \$ 3,044    | 11,715      |
| Capital expenditures.....   | 3,010      | --          | 6,118       |
| Ratio of earnings to fixed<br>charges(10) (11).....                                     |            |             | --          |

</TABLE>

See accompanying Notes to Unaudited Pro Forma Condensed  
Combined Statements of Operations.

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# INTERNATIONAL LOGISTICS LIMITED

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

|  |             | COMPANY     | MATRIX      |                |
|--|-------------|-------------|-------------|----------------|
|  |             | -----       | -----       |                |
|  | BEKINS (1)  | PERIOD FROM | PERIOD FROM |                |
|  | -----       | MAY 2,      | JANUARY 1,  |                |
|  | PERIOD FROM | 1996,       | 1996        |                |
|  | JANUARY 1,  | TO          | TO          |                |
|  | 1996        | SEPTEMBER   | SEPTEMBER   | COMPLETED      |
|  | TO          | 30,         | 30,         | ACQUISITIONS   |
|  | MAY 1, 1996 | 1996        | 1996        | ADJUSTMENTS    |
|  | -----       | -----       | -----       | -----          |
| <S>  | <C>         | <C>         | <C>         | <C>            |
| Revenues.....  | \$ 54,536   | \$89,975    | \$60,522    | --             |
| Transportation and other<br>direct costs.....        | 44,285      | 73,748      | 46,005      | \$ (1,883) (3) |
|  | -----       | -----       | -----       | -----          |
| Net revenues.....                                    | 10,251      | 16,227      | 14,517      | 1,883          |
| Other operating expenses.....                        | 8,523       | 11,375      | 7,429       | (733) (3)      |
| Depreciation and<br>amortization.....                | 977         | 9,690       | 283         | 8,345 (3)      |
|  | -----       | -----       | -----       | -----          |
| Operating income (loss).....                         | 751         | (4,838)     | 6,805       | (5,729)        |
| Interest expense, net.....                           | 718         | 1,419       | 368         | 1,419 (3)      |
| Share of (income) loss in<br>equity investments..... | --          | --          | --          | --             |
| Other (income) expense.....                          | (20)        | (21)        | --          | --             |
|  | -----       | -----       | -----       | -----          |
| Income (loss) before income<br>taxes and minority    |             |             |             |                |

|   |          |            |          |             |
|---|----------|------------|----------|-------------|
| interests.....  | 53       | (6,236)    | 6,437    | (7,148)     |
| Income tax provision<br>(benefit).....                    | 37       | (2,232)    | 1,759    | (2,859) (7) |
| Income (loss) before minority<br>interests.....           | 16       | (4,004)    | 4,678    | (4,289)     |
| Minority interests.....                                   | --       | --         | --       | --          |
| Net income (loss).....                                    | \$ 16    | \$ (4,004) | \$ 4,678 | \$ (4,289)  |
| Other Financial Data:                                     |          |            |          |             |
| EBITDA(8).....  | \$ 1,748 | \$ 4,873   | \$ 7,088 | \$ 2,616    |
| Cash (advances to) dividends<br>from affiliates, net..... | --       | --         | --       | --          |
| Cash interest expense(9).....                             | \$ 475   | \$ 1,377   | \$ 368   | \$ 1,235    |
| Capital expenditures.....                                 | 1,598    | 950        | 322      | --          |
| Ratio of earnings to fixed<br>charges(10) (11).....       |          |            |          |             |

<CAPTION>

|   | LIW<br>PREDECESSOR(1)  | LIW(1)   |                          |                       |
|---|--|--|--------------------------|-----------------------|
|   | PERIOD FROM<br>JANUARY 1,<br>1996<br>TO<br>JANUARY 23,<br>1996 | PERIOD FROM<br>JANUARY 24,<br>1996<br>TO<br>SEPTEMBER<br>30,<br>1996 | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>COMBINED |
| <S>   | <C>  | <C>  | <C>                      | <C>                   |
| Revenues.....   | \$106,987  | \$1,172,029  | \$ (316,931) (2)         | \$1,167,118           |
| Transportation and other<br>direct costs.....                       | 87,042   | 959,980  | (316,931) (2)            | 892,246               |
| Net revenues.....   | 19,945   | 212,049  | --                       | 274,872               |
| Other operating expenses.....                                       | 18,613   | 212,771  | (750) (4)                | 257,228               |
| Depreciation and<br>amortization.....                               | 347  | 2,518  | 1,710 (4)                | 23,870                |
| Operating income (loss).....  | 985  | (3,240)  | (960)                    | (6,226)               |
| Interest expense, net.....  | 153  | 1,637  | 2,283 (5)                | 7,997                 |
| Share of (income) loss in<br>equity investments.....                | 135  | 958  | --                       | 1,093                 |
| Other (income) expense.....   | --   | (327)  | --                       | (368)                 |
| Income (loss) before income<br>taxes and minority<br>interests..... | 697  | (5,508)  | (3,243)                  | (14,948)              |
| Income tax provision<br>(benefit).....                              | 291  | 3,174  | (1,297) (7)              | (1,127)               |
| Income (loss) before minority<br>interests.....                     | 406  | (8,682)  | (1,946)                  | (13,821)              |
| Minority interests.....   | (41)   | (721)  | --                       | (762)                 |
| Net income (loss).....  | \$ 365   | \$ (9,403)   | \$ (1,946)               | \$ (14,583)           |
| Other Financial Data:   |  |  |                          |                       |
| EBITDA(8).....  | \$ 1,332   | \$ (442)   | \$ 750                   | \$ 17,965             |
| Cash (advances to) dividends<br>from affiliates, net.....           | --   | \$ (47)  | --                       | \$ (47)               |
| Cash interest expense(9).....                                       | \$ 262   | 1,637  | \$ 2,283                 | 7,637                 |
| Capital expenditures.....   | --   | 1,955  | --                       | 4,825                 |
| Ratio of earnings to fixed<br>charges(10) (11).....                 |  |  |                          | --                    |

See accompanying Notes to Unaudited Pro Forma Condensed Combined Statements of Operations.



<TABLE>  
<CAPTION>

|  | COMPANY     | COMPLETED<br>ACQUISITIONS<br>ADJUSTMENTS | LIW(1)     | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>COMBINED |
|--|-------------|--|------------|--------------------------|-----------------------|
| <S>  | <C>         | <C>                                      | <C>        | <C>                      | <C>                   |
| Revenues.....  | \$550,141   | --                                       | \$ 817,385 | \$ (278,522) (2)         | \$1,089,004           |
| Transportation and other<br>direct costs.....                      | 436,466     | \$ (559) (3)                             | 661,054    | (278,522) (2)            | 818,439               |
| Net revenues.....  | 113,675     | 559                                      | 156,331    | --                       | 270,565               |
| Other operating expenses.....                                      | 105,659     | (389) (3)                                | 153,086    | (5,447) (4)              | 252,909               |
| Depreciation and<br>amortization.....                              | 22,138      | --                                       | 607        | 1,710 (4)                | 24,455                |
| Operating income (loss).....                                       | (14,122)    | 948                                      | 2,638      | 3,737                    | (6,799)               |
| Interest expense, net.....   | 5,765       | --                                       | 819        | 2,283 (5)                | 8,867                 |
| Share of (income) loss in<br>equity investments.....               | --          | --                                       | 914        | --                       | 914                   |
| Other (income) expense.....  | (88)        | --                                       | 398        | (445) (6)                | (135)                 |
| Income (loss) before income<br>taxes and minority<br>interest..... | (19,799)    | 948                                      | 507        | 1,899                    | (16,445)              |
| Income tax provision<br>(benefit).....                             | (6,546)     | 379 (7)                                  | 2,910      | (1,119) (7)              | (4,376)               |
| Income (loss) before minority<br>interests.....                    | (13,253)    | 569                                      | (2,403)    | 3,018                    | (12,069)              |
| Minority interests.....  | --          | --                                       | (361)      | --                       | (361)                 |
| Net income (loss).....   | \$ (13,253) | \$ 569                                   | \$ (2,764) | \$ 3,018                 | \$ (12,430)           |
| Other Financial Data:  |             |  |            |                          |                       |
| EBITDA(8).....   | \$ 8,104    | \$ 948                                   | \$ 1,238   | \$ 5,892                 | \$ 16,182             |
| Cash (advances to)<br>dividends from<br>affiliates, net.....       | --          | --                                       | \$ (1,609) | --                       | \$ (1,609)            |
| Cash interest<br>expense(9).....                                   | \$ 5,186    | --                                       | 819        | \$ 2,283                 | 8,288                 |
| Capital expenditures.....  | 5,551       | --                                       | 1,546      | --                       | 7,097                 |
| Ratio of earnings to fixed<br>charges(10) (11).....                |             |  |            |                          | --                    |

</TABLE>

See accompanying Notes to Unaudited Pro Forma Condensed Combined Statements of Operations.

## INTERNATIONAL LOGISTICS LIMITED

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED  
STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

(1) On January 24, 1996, LEP International Holdings Limited (the "LIW Predecessor") and LEP International A/S, LIW's Danish affiliate, were purchased by LIW. Amounts for LIW and the LIW Predecessor have been translated from British Pounds Sterling into U.S. Dollars using the period end exchange rate and adjusted to conform to U.S. GAAP. See Notes 24 and 25 to the Combined and Consolidated Financial Statements of LIW, Note 8 to the Unaudited Interim Consolidated Financial Statements of LIW and "Prospectus Summary--Exchange Rates" included elsewhere herein. The historical accounts of LEP-USA and LEP-Canada prior to November 1, 1996 are reflected in the financial information of LIW and its predecessor. Beginning November 1, 1996, the on-going operations of LEP-USA and LEP-Canada were recorded in the financial statements of the Company. The accounts of Bekins prior to May 2, 1996 have been adjusted to remove the operating activity of Bekins Moving and Storage ("BMS"). The operations of BMS have been treated as discontinued as of the Bekins acquisition date with the net assets of BMS classified as held for sale on the Company's balance sheet. See "Notes to Consolidated Financial Statements--Note 3."

(2) Reflects primarily the elimination of (a) intercompany balances between the Company and LIW, (b) duties and value-added tax paid on behalf of customers which is subsequently invoiced to customers and (c) extraordinary loss on early extinguishment of debt. Duties and value-added tax paid on behalf of customers are recorded by the Company net of invoiced amounts while LIW records the revenue and cost components separately. Therefore, such amounts have been removed to conform LIW's historical financial information to the Company's accounting procedures. The following represents the effect of such eliminations on both revenues and transportation and other direct costs:

<TABLE>

<CAPTION>

|                                      | TWELVE<br>MONTHS ENDED<br>DECEMBER 31,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|--------------------------------------|--|---|---|
| <S>                                  | <C>  | <C>   | <C>   |
| Duty, value-added tax and other..... | \$ (450,933)                                   | \$ (316,931)                                  | \$ (197,305)                                  |
| Intercompany.....                    | (17,630)                                       | --  | (81,217)                                      |
| Total.....                           | \$ (468,563)                                   | \$ (316,931)                                  | \$ (278,522)                                  |

</TABLE>

(3) Reflects adjustments as if the acquisitions of Bekins, LEP-USA, LEP-Canada and Matrix were completed at the beginning of the respective period as follows:

<TABLE>

<CAPTION>

|   | TWELVE<br>MONTHS ENDED<br>DECEMBER 31,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|---|--|---|---|
| <S>   | <C>  | <C>   | <C>   |
| Administrative costs and expenses (eliminated) created as a result of the acquisitions: |  |   |   |
| Transportation and other direct costs.....  | \$ (2,510)                                     | \$ (1,883)                                    | \$ (559)                                      |
| Corporate office expenses.....  | 1,800  | 1,410   | 120   |
| Duplicate computer data centers.....  | (792)  | (566)   | --  |
| Telecommunication charges.....  | (667)  | (528)   | --  |
| Insurance.....  | (1,265)  | (995)   | (505)   |
| Other.....  | (72)   | (54)  | (4)   |
| Total other operating expense adjustment.....   | (996)  | (733)   | (389)   |
| Net (increase) in EBITDA.....   | \$ (3,506)                                     | \$ (2,616)                                    | \$ (948)                                      |

</TABLE>

INTERNATIONAL LOGISTICS LIMITED

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED  
STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

|   | TWELVE<br>MONTHS ENDED<br>DECEMBER 31,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|---|--|---|---|
| <S>   | <C>  | <C>   | <C>   |
| Additional amortization of intangible assets.....                 | \$ 8,885                                       | \$ 8,345                                      | --  |
| Additional interest expense.....                                  | \$ 1,355                                       | \$ 1,235                                      | --  |
| Increase in amortization related to deferred financing costs..... | 223  | 184   | --  |
|   | \$ 1,578                                       | \$ 1,419                                      | --  |

</TABLE>

Amortization of intangible assets reflects the useful lives used by the Company applied to the intangible assets recorded for each acquisition from the

beginning of the respective period shown above to the acquisition date.

Additional interest expense reflects the increase in borrowings to finance the acquisitions as if they occurred at the beginning of the respective period using an interest rate of 9.75%. The interest rate approximates the cost of funds to the Company during each of the respective periods.

(4) Reflects adjustments to LIW's other operating expenses and depreciation and amortization as if the LIW Acquisition was completed at the beginning of the respective period as follows:

|  | TWELVE<br>MONTHS ENDED<br>DECEMBER 31,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|--|--|---|---|
| <S>  | <C>  | <C>   | <C>   |
| Administrative costs and expenses of LIW that will be eliminated as a result of the LIW Acquisition..... | \$ (1,000)                                     | \$ (750)                                      | \$ (750)                                      |
| Pro forma adjustment to reverse LIW reserve captured in purchase accounting.....                         | --   | --  | (4,697)                                       |
| Total.....   | \$ (1,000)                                     | \$ (750)                                      | \$ (5,447)                                    |
| Additional depreciation as a result of the LIW Acquisition.....  | \$ 2,280                                       | \$ 1,710                                      | \$ 1,710                                      |

</TABLE>

Additional depreciation relates to the excess of purchase cost over book value of net assets acquired and is allocated to property and equipment depreciated on a straight-line basis using an average useful life of approximately 10 years (see Note 2 to the Unaudited Pro Forma Condensed Combined Balance Sheet).

# INTERNATIONAL LOGISTICS LIMITED

## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

(5) Reflects adjustments to interest expense for the Old Notes Offering as if such offering were completed at the beginning of the respective period as follows:

|   | TWELVE<br>MONTHS ENDED<br>DECEMBER 31,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|---|--|---|---|
| <S>   | <C>  | <C>   | <C>   |
| Interest on the Old Notes.....  | \$ 10,725                                      | \$ 8,044                                      | \$ 8,044                                      |
| Amortization of deferred financing costs related to the Old Notes Offering and the New Credit Facility..... | 1,000  | 750   | 750   |
| Pro forma interest expense for the Old Notes Offering.....  | 11,725   | 8,794   | 8,794   |
| Less interest expense on retired debt.....  | (8,025)  | (6,019)                                       | (6,019)                                       |
| Less amortization of deferred financing costs of retired debt.....  | (656)  | (492)   | (492)   |
| Pro forma interest expense related to existing debt.....  | (8,681)  | (6,511)                                       | (6,511)                                       |
| Net adjustment.....   | \$ 3,044                                       | \$ 2,283                                      | \$ 2,283                                      |

</TABLE>

Amortization of deferred financing costs assume costs related to the Old Notes Offering and New Credit Facility of approximately \$5,400 and \$2,300 amortized over a period of 10 and 5 years, respectively.

The amount of retired debt is assumed to be \$80,536 with an assumed interest rate of 9.96% as if the debt were retired at the beginning of the respective period. Net deferred financing costs on the retired debt approximates \$4,594 amortized over 7 years.

(6) Reflects adjustment to gain on the October 31, 1996 sale of LEP-USA and

(7) Reflects the tax effect of Completed Acquisitions Adjustments and Pro Forma Adjustments.

(8) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization, and other non-cash items such as share of loss in equity investments, extraordinary loss and minority interests. EBITDA also includes other income and expenses and cash advances to and cash dividends received from companies accounted for under the equity method or consolidated subsidiaries in which LIW has a controlling interest. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. EBITDA is not necessarily a measure of the Company's ability to fund its cash needs. See the Consolidated Statement of Cash Flows of the Company and LIW and the related notes thereto included in this Prospectus. EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the ability to service debt.

(9) "Cash interest expense" represents interest expense recorded in the statement of operations less amortization of deferred financing costs. Total debt and cash interest expense give effect to the Old Notes Offering and other interest bearing debt after application of proceeds from the Old Notes Offering. See "Use of Proceeds" and "Historical and Pro Forma Consolidated Capitalization."

(10) Pro forma earnings were inadequate to cover pro forma fixed charges by \$20,696, \$14,141 and \$15,531 for the twelve months ended December 31, 1996 and for the nine months ended September 30, 1996 and 1997, respectively.

(11) For purposes of this computation, fixed charges consist of interest expense and amortization of deferred financing costs and the estimated portion of rental expense attributable to interest. Earnings consist of income (loss) before income taxes excluding equity investment losses plus fixed charges.

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#### SELECTED CONSOLIDATED FINANCIAL DATA OF THE COMPANY

The following table summarizes certain selected consolidated financial data, which should be read in conjunction with the Company's consolidated financial statements and notes thereto included elsewhere herein and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data for the years ended March 31, 1993, 1994, 1995 and 1996 and for the periods from April 1, 1996 to May 1, 1996 and from May 2, 1996 to December 31, 1996 have been derived from the audited consolidated financial statements of the Company and Bekins (the "Company Predecessor"). The selected financial data as of and for the period from May 2, 1996 to September 30, 1996 and as of and for the nine months ended September 30, 1997 have been derived from the Company's unaudited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations as of such dates and for such periods. The results for the nine month period ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year or the quarter following in 1997.

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#### SELECTED CONSOLIDATED FINANCIAL DATA OF THE COMPANY (Continued)

&lt;TABLE&gt;

&lt;CAPTION&gt;

| Company Predecessor(1)   |           |           |           |           |                        |
|--------------------------|-----------|-----------|-----------|-----------|------------------------|
| -----                    |           |           |           |           |                        |
| Year Ended March 31, (2) |           |           |           |           |                        |
| -----                    |           |           |           |           |                        |
|                          | 1993      | 1994      | 1995      | 1996      |                        |
| -----                    |           |           |           |           |                        |
|                          |           |           |           |           | Period From            |
|                          |           |           |           |           | April 1, 1996 to       |
|                          |           |           |           |           | May 1, 1996(2)         |
| -----                    |           |           |           |           |                        |
|                          |           |           |           |           | (Dollars in thousands) |
| <S>                      | <C>       | <C>       | <C>       | <C>       | <C>                    |
| INCOME STATEMENT DATA:   |           |           |           |           |                        |
| Revenues.....            | \$244,353 | \$238,812 | \$242,966 | \$231,752 | \$17,458               |
| Transportation and other |           |           |           |           |                        |

|  |           |           |           |           |          |
|--|-----------|-----------|-----------|-----------|----------|
| direct costs.....  | 192,530   | 186,570   | 191,278   | 179,611   | 13,634   |
| Net revenues.....  | 51,823    | 52,242    | 51,688    | 52,141    | 3,824    |
| Other operating expenses....   | 40,853    | 40,799    | 43,008    | 42,810    | 3,309    |
| Depreciation and<br>amortization.....  | 6,085     | 6,054     | 5,675     | 4,194     | 337      |
| Operating income (loss)...   | 4,885     | 5,389     | 3,005     | 5,137     | 178      |
| Interest expense, net.....   | 3,552     | 1,758     | 2,252     | 2,397     | 230      |
| Other (income) expense.....  | 32        | (26)      | (259)     | 34        | (73)     |
| Income (loss) before<br>income taxes and<br>extraordinary item.....                              | 1,301     | 3,657     | 1,012     | 2,706     | 21       |
| Income tax provision<br>(benefit).....   | 628       | 1,880     | 816       | 1,508     | 48       |
| Income (loss) before<br>extraordinary item.....  | 673       | 1,777     | 196       | 1,198     | (27)     |
| Extraordinary loss on early<br>extinguishment of debt,<br>net of tax benefit of<br>\$664(4)..... | --        | --        | --        | --        | --       |
| Net income (loss).....   | \$ 673    | \$ 1,777  | \$ 196    | \$ 1,198  | \$ (27)  |
| OTHER FINANCIAL DATA:  |           |           |           |           |          |
| EBITDA(5).....   | \$ 10,938 | \$ 11,469 | \$ 8,939  | \$ 9,297  | \$ 588   |
| Capital expenditures.....  | 3,055     | 3,210     | 3,251     | 3,175     | 130      |
| Ratio of earnings to fixed<br>charges(6)(7).....   | 1.3x      | 2.8x      | 1.4x      | 2.1x      | 1.1x     |
| BALANCE SHEET DATA:  |           |           |           |           |          |
| Current assets.....  | \$ 39,115 | \$ 38,437 | \$ 35,389 | \$ 33,313 | \$32,834 |
| Property and equipment,<br>net.....  | 14,285    | 12,011    | 10,080    | 8,266     | 8,143    |
| Total assets.....  | 81,264    | 74,604    | 71,276    | 64,476    | 63,845   |
| Current liabilities.....   | 44,099    | 57,223    | 36,799    | 48,188    | 48,798   |
| Long-term debt (including<br>current portion).....   | 22,911    | 18,861    | 21,049    | 11,915    | 15,634   |
| Other noncurrent<br>liabilities.....   | 11,431    | 10,219    | 7,423     | 7,768     | 6,567    |
| Minority interest.....   |           |           |           |           |          |
| Redeemable preferred<br>stock.....   |           |           |           |           |          |
| Stockholders' equity.....  | 4,487     | 6,264     | 6,879     | 8,137     | 8,112    |

<CAPTION>

|  | Company   |   |  |
|--|---|---|--|
|  | Period From May 2,<br>1996 to<br>December 31, 1996(3) | Period From<br>May 2, 1996<br>to September 30, 1996 | Nine Months Ended<br>September 30, 1997(3) |
|  |   | (Unaudited)   | (Unaudited)                                |
| <S>  | <C>   | <C>   | <C>  |
| INCOME STATEMENT DATA:   |   |   |  |
| Revenues.....  | \$225,793   | \$89,975  | \$550,141                                  |
| Transportation and other<br>direct costs.....  | 181,208   | 73,748  | 436,466                                    |
| Net revenues.....  | 44,585  | 16,227  | 113,675                                    |
| Other operating expenses....   | 37,554  | 11,375  | 105,659                                    |
| Depreciation and<br>amortization.....  | 16,310  | 9,690   | 22,138                                     |
| Operating income (loss)...   | (9,279)   | (4,838)   | (14,122)                                   |
| Interest expense, net.....   | 2,981   | 1,419   | 5,765                                      |
| Other (income) expense.....  | --  | (21)  | (88)                                       |
| Income (loss) before<br>income taxes and<br>extraordinary item.....                              | (12,260)  | (6,236)   | (19,799)                                   |
| Income tax provision<br>(benefit).....   | (4,013)   | (2,232)   | (6,546)                                    |
| Income (loss) before<br>extraordinary item.....  | (8,247)   | (4,004)   | (13,253)                                   |
| Extraordinary loss on early<br>extinguishment of debt,<br>net of tax benefit of<br>\$664(4)..... | (997)   | --  | --   |
| Net income (loss).....   | \$ (9,244)  | \$ (4,004)  | \$ (13,253)                                |

|  |           |          |           |
|--|-----------|----------|-----------|
| OTHER FINANCIAL DATA:                            |           |          |           |
| EBITDA (5) .....                                 | \$ 7,031  | \$ 4,873 | \$ 8,104  |
| Capital expenditures .....                       | 1,369     | 950      | 5,551     |
| Ratio of earnings to fixed charges (6) (7) ..... | --        | --       | --        |
| BALANCE SHEET DATA:                              |           |          |           |
| Current assets .....                             | \$135,036 | \$41,792 | \$310,498 |
| Property and equipment, net .....                | 11,781    | 5,754    | 46,696    |
| Total assets .....                               | 236,684   | 7,901    | 457,431   |
| Current liabilities .....                        | 123,144   | 39,170   | 310,634   |
| Long-term debt (including current portion) ..... | 66,314    | 30,616   | 90,261    |
| Other noncurrent liabilities .....               | 11,117    | 6,758    | 35,624    |
| Minority interest .....                          |           |          | 2,205     |
| Redeemable preferred stock .....                 |           |          | 8,052     |
| Stockholders' equity .....                       | 40,619    | 12,430   | 29,245    |

See accompanying Notes to Selected Consolidated Financial Data of the Company.

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#### INTERNATIONAL LOGISTICS LIMITED

#### NOTES TO SELECTED CONSOLIDATED FINANCIAL DATA OF THE COMPANY (DOLLARS IN THOUSANDS)

(1) On May 2, 1996, the Company acquired all of the outstanding shares of the Company Predecessor. See "Recent Acquisitions" and Note 3 to the Company's Consolidated Financial Statements.

(2) Includes the operating results of Bekins Moving and Storage division ("BMS"). Upon acquisition of Bekins by the Company on May 2, 1996, BMS was treated as discontinued with the net assets of BMS recorded as a current asset--see Note 3 to the Company's Consolidated Financial Statements. The following is selected financial information of BMS:

|                                     |    |                      |           |           |           |
|-------------------------------------|----|----------------------|-----------|-----------|-----------|
| <TABLE>                             |    | YEAR ENDED MARCH 31, |           |           |           |
| <CAPTION>                           |    |                      |           |           |           |
| <S>                                 |    | <C>                  | <C>       | <C>       | <C>       |
|                                     |    | 1993                 | 1994      | 1995      | 1996      |
|                                     |    | -----                | -----     | -----     | -----     |
| INCOME STATEMENT DATA:              |    |                      |           |           |           |
| Revenues .....                      | \$ | 54,491               | \$ 52,880 | \$ 53,948 | \$ 47,264 |
| Net revenues .....                  |    | 18,327               | 18,803    | 19,564    | 17,855    |
| Depreciation and amortization ..... |    | 1,447                | 1,413     | 1,453     | 1,237     |
| Operating income (loss) .....       |    | 7                    | 440       | 470       | 243       |
| OTHER FINANCIAL DATA:               |    |                      |           |           |           |
| EBITDA .....                        | \$ | 1,454                | \$ 1,853  | \$ 1,923  | \$ 1,480  |
| Capital expenditures .....          |    | 561                  | 1,817     | 1,216     | 608       |

(3) Includes the accounts of LEP-USA and LEP-Canada since November 1, 1996 when acquired from LIW and the accounts of Matrix since its acquisition on November 7, 1996. See "Recent Acquisitions" and Note 3 to the Company's Consolidated Financial Statements.

(4) On October 31, 1996, the Company applied proceeds from the Old Credit Facility to retire certain indebtedness incurred to finance the acquisition of Bekins. In connection with such transaction, the Company recorded an extraordinary loss of \$1,661 (\$997 net of tax) related to the write-off of unamortized deferred financing costs.

(5) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization, and other non-cash terms such as share of loss in equity investments, extraordinary loss and minority interests. EBITDA also includes other income and expenses and cash advances to and cash dividends received from companies accounted for under the equity method or consolidated subsidiaries in which LIW has a controlling interest. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. EBITDA is not necessarily a measure of the Company's ability to fund its cash needs. See the Consolidated Statement of Cash Flows of the Company and the related Notes thereto included in this Prospectus. EBITDA is included herein because management believes that certain investors find it to be a useful tool

for measuring the ability to service debt.

(6) For purposes of this computation, fixed charges consist of interest expense and amortization of deferred financing costs and the estimated portion of rental expense attributable to interest. Earnings consists of income (loss) before income taxes plus fixed charges.

(7) Earnings were inadequate to cover fixed charges by \$12,260, \$6,236 and \$15,531 for the period from May 2, 1996 to December 31, 1996, the period from May 2, 1996 to September 30, 1996 and for the nine months ended September 30, 1997, respectively.

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#### SELECTED CONSOLIDATED FINANCIAL DATA OF LIW

The following table summarizes certain selected financial data, which should be read in conjunction with LIW's financial statements and notes thereto included elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data as of December 31, 1992, 1993, 1994 and 1995 and for the periods from January 1, 1996 to January 23, 1996 and January 24, 1996 to December 31, 1996, set forth in U.K. GAAP in British Pounds Sterling, has been derived from the audited combined and consolidated financial statements of LIW and the LIW Predecessor which have been audited by Price Waterhouse, Chartered Accountants and Registered Auditors. The data for the nine months ended September 30, 1997, has been derived from LIW's accounting records and the unaudited interim consolidated financial statements of LIW. In the opinion of LIW management, the unaudited interim consolidated financial statements for the nine months ended September 30, 1997 have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations as of such dates and for such periods. With respect to the nine months ended September 30, 1996, the financial statements of LIW have been derived from management reports. Management has made such adjustments to these reports as they believe are necessary for a fair presentation of the statement of operations with respect to the nine months ended September 30, 1996. However, there can be no assurances that such financial statements are as reliable or accurate as financial statements that were prepared using normal interim period or year-end financial reporting procedures. In addition, such financial statements have not been subject to independent review of the independent accountants of LIW or the Company. The combined and consolidated financial statements of LIW and its predecessor for periods other than the period ended September 30, 1996 have been prepared in accordance with U.K. GAAP, which differs in certain significant respects from U.S. GAAP. See Notes 24 and 25 to the Combined and Consolidated Financial Statements of LIW and Note 8 to the Unaudited Interim Consolidated Financial Statements of LIW included elsewhere herein. The selected financial data for the fiscal years ended December 31, 1992, 1993, 1994 and 1995, for the period from January 1, 1996 to January 23, 1996, for the period from January 24, 1996 to December 31, 1996 and (unaudited) for the periods from January 24, 1996 to September 30, 1996 and the nine months ended September 30, 1997, set forth in U.S. GAAP in U.S. Dollars, has been derived from the audited and unaudited consolidated financial statements of LIW and its predecessor and adjusted for differences between U.K. GAAP and U.S. GAAP.

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#### SELECTED CONSOLIDATED FINANCIAL DATA OF LIW (CONTINUED)

<TABLE>

<CAPTION>

#### U.K. GAAP IN U.K. POUNDS (POUNDS IN THOUSANDS)

|  | LIW PREDECESSOR (1) (2) |             |             |             |   | LIW  |   |                                |
|--|-------------------------|-------------|-------------|-------------|---|--|---|--------------------------------|
|  | YEAR ENDED DECEMBER 31, |             |             |             |   |  |   |                                |
|  |                         |             |             |             |   | PERIOD FROM  | PERIOD FROM   | NINE MONTHS                    |
|  | 1992                    | 1993        | 1994        | 1995        | PERIOD FROM<br>JANUARY 1,<br>1996 TO<br>JANUARY 23,<br>1996 | JANUARY 24,<br>1996 TO<br>DECEMBER 31,<br>1996 (2) | JANUARY 24,<br>1996 TO<br>SEPTEMBER<br>30, 1996 (2) | ENDED<br>SEPTEMBER 30,<br>1997 |
| <S>  | <C>                     | <C>         | <C>         | <C>         | <C>   | <C>  | <C><br>(UNAUDITED)                                  | <C><br>(UNAUDITED)             |
| INCOME STATEMENT DATA:                           |                         |             |             |             |   |  |   |                                |
| Revenues.....                                    | L 1,073,681             | L 1,032,689 | L 1,096,377 | L 1,106,223 | L 68,362  | L 958,864  | L 748,900   | L 505,026                      |
| Transportation and<br>other direct<br>costs..... | 876,873                 | 831,319     | 900,700     | 906,743     | 55,618  | 778,897  | 613,406   | 408,436                        |
| Net revenues.....                                | 196,808                 | 201,370     | 195,677     | 199,480     | 12,744  | 179,967  | 135,494   | 96,590                         |
| Other operating                                  |                         |             |             |             |   |  |   |                                |



|   |            |           |           |            |           |             |           |           |
|---|------------|-----------|-----------|------------|-----------|-------------|-----------|-----------|
| expenses.....   | 199,437    | 192,661   | 188,176   | 204,840    | 11,948    | 180,039     | 136,281   | 95,000    |
| Depreciation and<br>amortization.....                                       | 6,632      | 5,654     | 4,670     | 4,234      | 244       | 3,424       | 2,690     | 1,554     |
| Operating income<br>(loss).....   | (9,261)    | 3,055     | 2,831     | (9,594)    | 552       | (3,496)     | (3,477)   | 36        |
| Interest expense,<br>net.....   | 2,843      | 2,478     | 1,985     | 2,741      | 98        | 1,227       | 1,046     | 506       |
| Share of (income)<br>loss in equity<br>investments.....                     | 145        | (135)     | (14)      | 1,021      | 86        | 1,283       | 612       | 565       |
| Other (income)<br>expense.....  | --         | 1,769 (3) | --        | --         | --        | (5,800) (3) | --        | 275       |
| Income (loss) before<br>income taxes and<br>minority<br>interests.....      | (12,249)   | (1,057)   | 860       | (13,356)   | 368       | (206)       | (5,135)   | (1,310)   |
| Income tax provision<br>(benefit).....                                      | (32)       | 2,809     | 1,780     | 5,987      | 168       | 2,420       | 1,431     | 1,246     |
| Income (loss) before<br>minority<br>interests.....                          | (12,217)   | (3,866)   | (920)     | (19,343)   | 200       | (2,626)     | (6,566)   | (2,556)   |
| Minority<br>interests.....  | (324)      | (221)     | (353)     | (397)      | (26)      | (386)       | (461)     | (223)     |
| Net income<br>(loss).....   | L (12,541) | L (4,087) | L (1,273) | L (19,740) | L 174     | L (3,012)   | L (7,027) | L (2,779) |
| OTHER FINANCIAL DATA:   |            |           |           |            |           |             |           |           |
| EBITDA(4).....  | L (2,859)  | L 7,061   | L 7,284   | L (4,925)  | L 796     | L 5,035     | L (817)   | L 321     |
| Cash (advances to)<br>dividends received<br>from equity<br>investments..... | 3          | 269       | 17        | 670        | --        | (410)       | 58        | (954)     |
| Cash (advances to)<br>dividends received<br>from minority<br>interests..... | (233)      | (148)     | (234)     | (235)      | --        | (283)       | (88)      | (40)      |
| Capital<br>expenditures.....  | 3,255      | 1,202     | 1,935     | 2,981      | --        | 1,758       | 1,249     | 955       |
| Ratio of earnings to<br>fixed<br>charges (5) (6).....                       | --         | 0.7x      | 1.4x      | --         | 4.0x      | 1.5x        | --        | --        |
| BALANCE SHEET DATA:   |            |           |           |            |           |             |           |           |
| Current assets.....   | L 172,674  | L 169,816 | L 171,024 | L 181,889  | L 181,320 | L 127,531   | L 171,508 | L 122,739 |
| Property and<br>equipment, net....  | 45,559     | 34,603    | 33,904    | 33,580     | 31,621    | 22,306      | 28,996    | 20,488    |
| Total assets.....   | 231,174    | 215,214   | 215,973   | 224,860    | 216,842   | 152,206     | 203,804   | 146,963   |
| Current<br>liabilities.....   | 174,307    | 155,587   | 165,734   | 186,304    | 178,240   | 122,376     | 170,751   | 121,839   |
| Long-term debt<br>(including current<br>portion).....                       | 33,223     | 23,394    | 24,726    | 39,383     | 39,768    | 11,239      | 28,056    | 9,690     |
| Other noncurrent<br>liabilities.....  | 12,510     | 14,238    | 14,704    | 18,256     | 18,209    | 15,414      | 20,628    | 15,210    |
| Minority interest...  | 1,668      | 1,651     | 1,479     | 1,455      | 1,481     | 1,447       | 1,815     | 1,485     |
| Stockholders'<br>equity.....  | 30,974     | 32,296    | 29,306    | 15,035     | 15,081    | 11,122      | 8,447     | 7,240     |

</TABLE>

See accompanying Notes to Selected Consolidated Financial Data of LIW.

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SELECTED CONSOLIDATED FINANCIAL DATA OF LIW (CONTINUED)

<TABLE>

<CAPTION>

U.K. GAAP IN U.S. DOLLARS  
(DOLLARS IN THOUSANDS)

U.K. GAAP IN U.S. DOLLARS  
(DOLLARS IN THOUSANDS) (6)

LIW PREDECESSOR (1) (2)

YEAR ENDED DECEMBER 31,

LIW

| 1992 | 1993 | 1994 | 1995 | PERIOD FROM<br>JANUARY 1,<br>1996 TO<br>JANUARY 23,<br>1996 | PERIOD FROM<br>JANUARY 24,<br>1996 TO<br>DECEMBER 31,<br>1996 (2) | PERIOD FROM<br>JANUARY 24,<br>1996 TO<br>SEPTEMBER<br>30, 1996 (2) | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|------|------|------|------|---|---|--|---|
|------|------|------|------|---|---|--|---|

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|  |              |              |              |              |            |              | (UNAUDITED) | (UNAUDITED) |
|--|--------------|--------------|--------------|--------------|------------|--------------|-------------|-------------|
| INCOME STATEMENT DATA:   |              |              |              |              |            |              |             |             |
| Revenues.....  | \$ 1,626,090 | \$ 1,527,760 | \$ 1,710,677 | \$ 1,717,964 | \$ 103,466 | \$1,641,863  | \$1,172,029 | \$ 817,385  |
| Transportation and other direct costs.....                         | 1,328,024    | 1,229,853    | 1,405,362    | 1,408,172    | 84,178     | 1,333,706    | 959,980     | 661,054     |
| Net revenues.....  | 298,066      | 297,907      | 305,315      | 309,792      | 19,288     | 308,157      | 212,049     | 156,331     |
| Other operating expenses.....                                      | 302,047      | 285,023      | 293,611      | 317,572      | 18,000     | 307,394      | 212,771     | 153,086     |
| Depreciation and amortization.....                                 | 10,044       | 8,365        | 7,287        | 6,030        | 336        | 3,930        | 2,518       | 607         |
| Operating income (loss).....                                       | (14,025)     | 4,519        | 4,417        | (13,810)     | 952        | (3,167)      | (3,240)     | 2,638       |
| Interest expense, net.....   | 4,306        | 3,666        | 3,097        | 4,257        | 148        | 2,101        | 1,637       | 819         |
| Share of (income) loss in equity investments.....                  | 220          | (200)        | (22)         | 1,586        | 130        | 2,197        | 958         | 914         |
| Other (income) expense.....  | --           | 2,617 (3)    | --           | --           | --         | (15,729) (3) | (327)       | 398         |
| Income (loss) before income taxes and minority interests.....      | (18,551)     | (1,564)      | 1,342        | (19,653)     | 674        | 8,264        | (5,508)     | 507         |
| Income tax provision (benefit).....                                | (48)         | 4,156        | 2,777        | 9,478        | 282        | 6,115        | 3,174       | 2,910       |
| Income (loss) before minority interests.....                       | (18,503)     | (5,720)      | (1,435)      | (29,131)     | 392        | 2,149        | (8,682)     | (2,403)     |
| Minority interests.....  | (491)        | (327)        | (551)        | (617)        | (39)       | (661)        | (721)       | (361)       |
| Net income (loss).....   | \$ (18,994)  | \$ (6,047)   | \$ (1,986)   | \$ (29,748)  | \$ 353     | \$ 1,488     | \$ (9,403)  | \$ (2,764)  |
| OTHER FINANCIAL DATA:  |              |              |              |              |            |              |             |             |
| EBITDA(4).....   | \$ (4,329)   | \$ 10,446    | \$ 11,366    | \$ (7,104)   | \$ 1,288   | \$ 15,305    | \$ (442)    | \$ 1,238    |
| Cash (advances to) dividends received from equity investments..... | 5            | 398          | 27           | 1,041        | --         | (702)        | 91          | (1,544)     |
| Cash (advances to) dividends received from minority interests..... | (353)        | (219)        | (365)        | (365)        | --         | (485)        | (138)       | (65)        |
| Capital expenditures.....  | 4,930        | 1,778        | 3,019        | 4,629        | --         | 3,010        | 1,955       | 1,546       |
| Ratio of earnings to fixed charges(5) (7).....                     | --           | 0.7x         | 1.4x         | --           | 4.5x       | 4.0x         | --          | 2.7         |
| Balance Sheet Data:  |              |              |              |              |            |              |             |             |
| Current assets.....  | \$ 261,515   | \$ 251,226   | \$ 266,849   | \$ 282,474   | \$ 274,428 | \$ 218,371   | \$ 268,410  | \$ 198,653  |
| Property and equipment, net....                                    | 68,999       | 51,192       | 52,900       | 30,103       | 26,373     | 15,616       | 19,922      | 13,773      |
| Total assets.....  | 350,113      | 318,388      | 336,983      | 327,595      | 307,127    | 251,119      | 302,504     | 228,917     |
| Current liabilities.....   | 263,988      | 230,175      | 258,595      | 289,330      | 269,766    | 209,544      | 267,225     | 197,196     |
| Long-term debt (including current portion).....                    | 50,316       | 34,609       | 38,580       | 61,162       | 60,189     | 19,245       | 43,908      | 15,683      |
| Other noncurrent liabilities.....                                  | 18,946       | 21,064       | 22,943       | 29,102       | 28,290     | 27,505       | 34,607      | 24,399      |
| Minority interest...   | 2,526        | 2,442        | 2,308        | 2,260        | 2,241      | 2,478        | 2,840       | 2,403       |
| Stockholders' equity.....  | 46,910       | 47,779       | 45,726       | 986          | 1,031      | 8,430        | 407         | 2,557       |
| </TABLE>   |              |              |              |              |            |              |             |             |

</TABLE>

See accompanying Notes to Selected Consolidated Financial Data of LIW.

LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO SELECTED CONSOLIDATED FINANCIAL DATA OF LIW

(DOLLARS AND POUNDS IN THOUSANDS)

(1) On January 24, 1996, the LIW Predecessor was purchased by LIW together with LEP International A/S, LIW's Danish affiliate.

(2) Includes the accounts of LEP-USA and LEP-Canada until October 31, 1996 when sold to the Company. See "Recent Acquisitions" and Note 1 to the LIW consolidated financial statements.

(3) For the year ended December 31, 1993, amount represents loss on sale of property in Cologne, Germany. For the period January 24, 1996 to December 31, 1996 amount primarily represents gain on sale of LEP-USA and LEP-Canada to the Company. See Note 2 above and Note 21(a) to the Consolidated Financial Statements of LIW.

(4) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization, and other non cash items such as share of loss in equity investments, extraordinary loss and minority interest. EBITDA is further adjusted to include other income and expenses and cash advances to and cash dividends received from companies accounted for under the equity method or consolidated subsidiaries in which LIW has a controlling interest. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. EBITDA is not necessarily a measure of the Company's ability to fund its cash needs. See the Consolidated Statement of Cash Flows of LIW and the related Notes thereto included in this Prospectus. EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the ability to service debt.

(5) For purposes of this computation, fixed charges consist of interest expense and amortization of deferred financing costs and the estimated portion of rental expense attributable to interest. Earnings consists of income (loss) before income taxes excluding equity investment losses plus fixed charges.

(6) Earnings were inadequate to cover fixed charges by L12,104, L12,335 and L4,523 for the years ended December 31, 1992 and 1995 and for the period January 24, 1996 to September 30, 1996, respectively.

(7) Earnings were inadequate to cover fixed charges by \$18,331, \$18,067 and \$4,550 for the years ended December 31, 1992 and 1995 and for the period January 24, 1996 to September 30, 1996, respectively.

(8) Amounts shown as of and for the year ended December 31, 1995 and all subsequent periods have been converted into U.S. GAAP based on the information disclosed in Notes 24 and 25 to the LIW Consolidated Financial Statements included elsewhere herein with amounts for all periods shown translated into U.S. Dollars for convenience purposes only using the respective period end Noon Buying Rate. See also "Prospectus Summary--Exchange Rates".

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

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH "UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS," "SELECTED CONSOLIDATED FINANCIAL DATA OF THE COMPANY," "SELECTED CONSOLIDATED FINANCIAL DATA OF LIW," THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS OF LIW INCLUDED ELSEWHERE IN THIS PROSPECTUS. THIS PROSPECTUS CONTAINS, IN ADDITION TO HISTORICAL INFORMATION, FORWARD-LOOKING STATEMENTS THAT INCLUDE RISKS AND OTHER UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE THOSE DISCUSSED BELOW, AS WELL AS GENERAL ECONOMIC AND BUSINESS CONDITIONS, COMPETITION AND OTHER FACTORS DISCUSSED ELSEWHERE IN THIS PROSPECTUS.

GENERAL

The Company commenced operation on May 2, 1996 in connection with its acquisition of Bekins. On October 31, 1996, the Company acquired LEP and securities representing 33.3%, in the aggregate, of the common equity of LIW. On November 7, 1996, the Company acquired Matrix. On September 30, 1997, the Company acquired an additional 41.9% of the common equity of LIW and on December 15, 1997, the Company completed the acquisition of all of the remaining equity securities of LIW. All of such acquisitions were accounted for by the purchase method of accounting, and accordingly, the book values of the assets and liabilities of the acquired companies were adjusted to reflect their estimated values at the dates of acquisition. As a result of these acquisitions and related accounting treatments, management does not believe the financial statements of the Company are comparable to stand alone financial statements of the Company Predecessor, LIW or Matrix. Therefore, comparisons may be made between pro forma combined results of the Company and LIW for the nine months ended September 30, 1997 and the pro forma combined results of the Company, the Company Predecessor, LIW and Matrix for the nine months ended September 30, 1996.

The Company is the largest non-asset-based provider of worldwide logistics and transportation services headquartered in the United States, based on revenues for 1996 and after giving pro forma effect to the LIW Acquisition. The Company's primary business operations involve obtaining shipment or material orders from customers, creating and delivering a wide range of logistics solutions to meet customers' specific requirements for transportation and related services, and arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. The logistics solutions include domestic and international freight forwarding and door-to-door delivery services using a wide range of transportation modes, including air, ocean, truck and rail. The Company also provides value-added services such as warehousing, inventory management, assembly, customs brokerage, distribution and installation for manufacturers and retailers of commercial and consumer products such as copiers, computers, pharmaceutical supplies, medical equipment, consumer durables and aviation products. The Company also specializes in arranging for the worldwide transportation of goods for major infrastructure projects, such as power plants, oil refineries, oil fields and mines, to lesser developed countries and remote geographic locations. In addition, the Company provides international and domestic relocation services through two of its divisions.

The portion of the Company's business that is focused on traditional transportation and logistics services normally experiences a higher percentage of its revenues and operating income in the fourth calendar quarter as volumes increase for the holiday season. Conversely, the Company's domestic household goods relocation business experiences approximately half of its revenue between June and September. In addition, Matrix has a significant project logistics business which is cyclical due to its dependence upon the timing of shipment volumes for large, one-time projects. Because of this uneven revenue and earnings stream of the project-related business, and recognizing that the performance of Matrix in 1996 would not be maintained in 1997 due to the conclusion of two major contracts, the acquisition of Matrix was structured with a significant portion of the total potential consideration tied to future financial performance. See "Notes to Consolidated Financial Statements of the Company--Note 3."

Through the Subsidiary Acquisitions, the Company has created a global network that provides a broad range of transportation and logistics services through points of service in both industrialized and developing nations with a strong local presence in North America, Europe and Asia. Because of its global position, broad service offerings and technologically-advanced information systems, the Company believes it is well-positioned to participate in the growing trend for large corporations to outsource logistics and transportation distribution services. The United States logistics services industry generated approximately \$25.0 billion in revenues in 1996, having experienced an average annual growth rate of approximately 20.0% from 1992 to 1996. The Company believes that the global logistics service industry is three to four times the size of the U.S. logistics services industry. In addition, the Company's future operating results will be dependent on the economic environments in which it operates. Demand for the Company's services will also be affected by economic conditions in the industries of the Company's customers. The Company's principal businesses are directly impacted by the volume of domestic and international trade between the United States and foreign nations and among foreign nations.

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Pro forma revenues are exclusive of any customs duty invoiced to customers. Net revenues are net of all transportation costs payable to agent service providers or third-party air, ocean or ground service providers. The net revenues of the Company (gross revenues less costs of transportation) are the primary indicator of the Company's ability to source, add value and resell services and products that are provided by third parties, and are considered by management of the Company to be the primary measurement of growth for the Company. Other operating expenses include the percentage of revenue or net revenues paid to independent sales contractors or agents for sales, marketing and coordination services as well as other operating expenses.

The pro forma combined results presented include the benefits of synergy initiatives completed or nearly completed in North America resulting from the Bekins, LEP and Matrix acquisitions. These initiatives have generated the following synergy benefits: consolidation of duplicate crossdock operations, selected scheduled transportation truck runs and duplicate computer data centers and increased purchasing power for telecommunication services and insurance coverages. These synergies would have resulted in pro forma savings of \$5.3 million for 1996. In addition, the Company anticipates the consolidation of certain corporate office functions and related personnel between its offices in the United States and that of LIW in the United Kingdom. Benefits of these expected lower corporate costs have been estimated at \$1.0 million on an annual basis and are included in the following pro forma results.

#### RESULTS OF OPERATIONS

The pro forma statements are presented based on the historical businesses which are part of the Company. Going forward, portions of each of these former stand-alone businesses may be shifted to another business segment based on

operational expertise and infrastructure considerations. Therefore, historic business segment definitions will likely change over time. Synergy benefits described above from North America initiatives have been allocated to the respective operating entities' results in the table below. LIW's results reflect conversion both to U.S. Dollars and U.S. GAAP. Analysis of LIW results of operations in British Pounds Sterling and also in U.K. GAAP is included elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of LIW reported below include results from LIW and LEP for the full time periods presented and are not affected by the LEP Sale. The results of Bekins are presented in its two principal operating units: high-value products and logistics ("HVP/ Logistics"), a provider of inventory management, distribution, specialized truck transportation and network-based logistics services for manufacturers and distributors of high-value products, and HHG, a provider of domestic relocation and storage services. BMS has been excluded from pro forma results since BMS was treated as a discontinued operation in May 1996 at the time of the acquisition of Bekins. With respect to the nine months ended September 30, 1996, the financial statements of LIW have been derived from management reports. Management has made such adjustments to these reports as they believe are necessary for a fair presentation of the statement of operations with respect to the nine months ended September 30, 1996. However, there can be no assurances that such financial statements are as reliable or accurate as financial statements prepared using normal interim or year-end financial reporting procedures. In addition, such financial statements have not been subject to independent review of the independent accountants of LIW or the Company.

In connection with the Subsidiary Acquisitions, the Company incurred a significant amount of goodwill and other intangible assets of which approximately \$21.8 million was amortized in the Company's pro forma financial statements for the fiscal year ended December 31, 1996 and \$16.3 million was amortized for each of the nine months ended September 30, 1996 and 1997. The Company believes that amortization expense should decrease to \$3.1 million in fiscal 1998 because the portion of the intangible assets from the Subsidiary Acquisitions with twelve to twenty-four month amortization periods will have been already expensed.

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<TABLE>  
<CAPTION>

| PRO FORMA STATEMENTS                    |  |             |                                    |
|---|--|-------------|------------------------------------|
|   | TWELVE MONTHS<br>ENDED<br>DECEMBER 31, |             | NINE MONTHS ENDED<br>SEPTEMBER 30, |
|   | 1996                                   | 1996        | 1997                               |
| (DOLLARS IN THOUSANDS)                  |  |             |                                    |
| <S>                                     | <C>                                    | <C>         | <C>                                |
| STATEMENT OF OPERATIONS DATA:           |  |             |                                    |
| Revenues:                               |  |             |                                    |
| LIW.....                                | \$1,373,108                            | \$ 962,085  | \$ 889,895                         |
| Bekins: HVP/Logistics.....              | 85,144                                 | 63,089      | 64,716                             |
| HHG.....                                | 104,812                                | 81,422      | 83,984                             |
| Matrix.....                             | 75,777                                 | 60,522      | 50,409                             |
| Consolidated.....                       | \$1,638,841                            | \$1,167,118 | \$1,089,004                        |
| Net Revenues:                           |  |             |                                    |
| LIW.....                                | \$ 347,483                             | \$ 232,449  | \$ 229,087                         |
| Bekins: HVP/Logistics.....              | 19,266                                 | 14,214      | 14,914                             |
| HHG.....                                | 18,177                                 | 13,692      | 14,468                             |
| Matrix.....                             | 18,807                                 | 14,517      | 12,096                             |
| Consolidated.....                       | 403,733                                | 274,872     | 270,565                            |
| Other Operating Expenses:               |  |             |                                    |
| LIW.....                                | 341,516                                | 229,735     | 221,348                            |
| Bekins: HVP/Logistics.....              | 10,408                                 | 7,532       | 9,092                              |
| HHG.....                                | 14,356                                 | 10,474      | 10,364                             |
| Matrix.....                             | 11,224                                 | 7,379       | 9,296                              |
| Corporate.....                          | 2,900                                  | 2,108       | 2,809                              |
| Consolidated.....                       | 380,404                                | 257,228     | 252,909                            |
| Depreciation and Amortization.....      | 33,079                                 | 23,870      | 24,455                             |
| Operating Loss.....                     | (9,750)                                | (6,226)     | (6,799)                            |
| Interest Expense, Net.....              | 10,967                                 | 7,997       | 8,867                              |
| Share of Loss in Equity Investment..... | 2,344                                  | 1,093       | 914                                |
| Other (Income) Expense.....             | (676)                                  | (368)       | (135)                              |
| Income Tax Benefit.....                 | (136)                                  | (1,127)     | (4,376)                            |
| Minority Interests.....                 | (706)                                  | (762)       | (361)                              |

|                            |             |             |             |
|----------------------------|-------------|-------------|-------------|
| Net Loss.....              | \$ (22,955) | \$ (14,583) | \$ (12,430) |
| OTHER DATA:                |             |             |             |
| EBITDA:                    |             |             |             |
| LIW.....                   | \$ 5,436    | \$ 2,994    | \$ 6,261    |
| Bekins: HVP/Logistics..... | 8,858       | 6,682       | 5,822       |
| HHG.....                   | 3,841       | 3,259       | 4,108       |
| Matrix.....                | 7,583       | 7,138       | 2,800       |
| Corporate.....             | (2,900)     | (2,108)     | (2,809)     |
| Consolidated.....          | \$ 22,818   | \$ 17,965   | \$ 16,182   |
| EBITDA/Net Revenues:       |             |             |             |
| LIW.....                   | 1.6 0.4%    | 1.3 0.3%    | 2.7 0.7%    |
| Bekins: HVP/Logistics..... | 46.0 10.4%  | 47.0 10.6%  | 39.0 9.0%   |
| HHG.....                   | 21.1 3.7%   | 28.8 4.0%   | 28.4 4.9%   |
| Matrix.....                | 40.3 10.0%  | 49.2 11.8%  | 23.1 5.6%   |
| Consolidated.....          | 5.7 1.4%    | 6.5 1.5%    | 6.0 1.5%    |

</TABLE>

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NINE MONTHS ENDED SEPTEMBER 30, 1997 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1996

REVENUES. The Company's revenues decreased by approximately \$78.1 million, or 6.7%, to \$1,089.0 million for the nine months ended September 30, 1997 from \$1,167.1 million for the nine months ended September 30, 1996. Currency fluctuations accounted for \$60.4 million of the decrease in LIW. Exclusive of currency fluctuations, LIW Europe revenues decreased by \$2.8 million, LIW Asia/Pacific revenues decreased by \$7.2 million due to changes in product mix and LEP revenues increased by \$2.9 million. A decrease in volume and revenues of Matrix due to the conclusion of two large project cargo contracts late in 1996 also contributed to the decrease in revenues in the period.

NET REVENUES. Net revenues decreased by approximately \$4.3 million, or 1.6%, to \$270.6 million for the nine months ended September 30, 1997 from \$274.9 million for the nine months ended September 30, 1996. Net revenues as a percentage of revenues during this period increased to 24.8% from the 23.6% for the same period in 1996. Currency fluctuations accounted for a \$15.0 million decrease in LIW net revenues. Exclusive of currency fluctuations, net revenues of LIW Europe and LIW Asia/Pacific increased by \$3.7 million and \$6.4 million, respectively, due to increases of higher margin business in the product mix. Declines in the net revenues of Matrix were partially offset by a \$1.5 million increase in net revenues at Bekins. Declines in the net revenues of Matrix resulted from the conclusion of two large project cargo contracts. The percent of net revenues to revenues increased for each operating company due to improved pricing controls and the aforementioned shift in product offerings to higher margin value-added services.

OTHER OPERATING EXPENSES. Other operating expenses decreased by approximately \$4.3 million, or 1.7%, to \$252.9 million for the nine months ended September 30, 1997 from \$257.2 million for the nine months ended September 30, 1996. Other operating expenses as a percentage of net revenues for the nine month period ending September 30, 1997 decreased slightly to 93.5% from 93.6% for the same period in 1996. Currency fluctuations accounted for \$14.6 million of the decrease in LIW operating expenses. Exclusive of currency fluctuations, other operating expenses of LIW Europe decreased by \$5.2 million while other operating expenses of LIW Asia/Pacific increased by \$3.9 million. This net dollar reduction in other operating expenses at LIW was offset, however, by increases at HVP/Logistics, Matrix and a higher level of Corporate expenses. The Matrix increase was due primarily to costs associated with additional sales and operations infrastructure added in 1997 to develop and service numerous new customers to mitigate the impact of the conclusion of two major contracts. The Company intends to invest approximately \$30.0 million over the next three years in new and improved information systems. Some of these capital expenditures may provide benefits to the Company through the reduction of other operating expenses.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 2.5% to \$24.5 million for the nine months ended September 30, 1997 compared to \$23.9 million for the nine months ended September 30, 1996. Both periods reflect pro forma adjustments as if the Subsidiary Acquisitions were completed at the beginning of each period.

OPERATING LOSS. The Company recorded a \$6.8 million loss for the nine months ended September 30, 1997 as compared to \$6.2 million for the nine months ended September 30, 1996 due to an increase in charges for depreciation and amortization expense. Operating income was also negatively affected by certain non-recurring items which amounted to \$3.4 million and \$2.4 million in the 1997 and 1996 periods, respectively. Substantially all of such charges relate to restructuring activities at LIW/LEP.

INTEREST EXPENSE, NET. Interest expense, net, increased by approximately \$0.9 million, or 10.9%, to \$8.9 million for the nine months ended September 30, 1997 from \$8.0 million for the nine months ended September 30, 1996. The decrease in interest expense of LIW as a result of the reduction in borrowings from the cash proceeds of the LEP sale was more than offset by increased interest expense of the Company associated with higher levels of working capital-related borrowings, primarily by LEP.

SHARE OF INCOME (LOSS) IN EQUITY INVESTMENT. The share of loss in equity investment represents the Company's portion of losses incurred by LIW's Italian affiliate. LIW's portion of such losses decreased by approximately \$0.2 million to \$0.9 million for the nine months ended September 30, 1997 from \$1.1 million for the nine months ended September 30, 1996. This decrease was due to operational improvements effected by LIW's restructuring efforts.

INCOME TAX PROVISION. Income tax benefit changed by approximately \$3.3 million, to a tax benefit of \$4.4 million for the nine months ended September 30, 1997, from \$1.1 million for the nine months ended September 30, 1996. The tax benefit for the nine months ended September 30, 1997 produced an effective benefit rate of 26.6%. Tax benefit for the nine months ended September 30, 1996 produced an effective benefit rate of 7.5% which was lower than 1997 due to the fact that losses generated in certain countries in which LIW operates were not available to offset taxable income in other countries.

MINORITY INTERESTS. Interests held by minority shareholders in certain subsidiaries of LIW decreased by \$0.4 million, or 52.6%, to \$0.4 million for the nine months ended September 30, 1997 from \$0.8 million for the nine months ended September 30, 1996.

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This decrease was primarily due to the impact of foreign currency fluctuations in those LIW subsidiaries which have minority shareholders.

NET LOSS. Net loss decreased by \$2.2 million to \$12.4 million for the nine months ended September 30, 1997 compared to \$14.6 million for the nine months ended September 30, 1996. This improvement is due primarily to lower other operating expenses, minority interests and favorable income tax benefits.

#### LIQUIDITY AND CAPITAL RESOURCES

Within North America, the Company has utilized cash flows from operations and borrowings under the Old Credit Facility to meet working capital requirements and to fund capital expenditures principally related to the improvement of existing information systems. Since May 2, 1996, the Company has received an aggregate of \$5.6 million in net cash proceeds from the disposition of certain assets of BMS. At September 30, 1997, the Company had a working capital borrowing base under the Old Credit Facility of \$78.4 million compared with working capital related borrowings of \$17.3 million and outstanding letter of credit commitments of \$9.0 million. In addition, as of September 30, 1997, the Company had \$55.2 million of term borrowings outstanding under the Old Credit Facility and \$2.0 million of capital lease commitments and other indebtedness outstanding. In connection with the LIW Acquisition and the Old Notes Offering, the Company applied certain of the proceeds of the Old Notes Offering to repay all amounts outstanding under the Old Credit Facility and enter into the New Credit Facility. See "New Credit Facility" and "Use of Proceeds."

Total borrowings of LIW at September 30, 1997 were approximately \$15.7 million, representing a combination of short-and long-term borrowings in local currencies in countries where LIW operates. Funding requirements have historically been satisfied by revenues from operations and borrowings under various bank credit facilities. In connection with the LIW Acquisition and the New Credit Facility, the Company anticipates that a certain amount of borrowing capacity will be provided to LIW based upon the level of accounts receivable in the United Kingdom. The Company believes that this borrowing ability and revenues from operations will be sufficient to meet the liquidity needs of LIW in the future.

Approximately \$75.8 million of the proceeds from the Old Notes Offering was used to repay the debt of the Company under the Old Credit Facility. In addition, \$9.8 million of the proceeds was used to complete the acquisition of all outstanding LIW equity securities. See "Recent Acquisitions--LIW Acquisition." The balance of the proceeds of the Old Notes Offering will be used to pay transaction costs as well as for general corporate purposes which may include the repayment of debt of certain LIW subsidiaries. See "Use of Proceeds."

The Company expects that its future liquidity needs will be primarily for debt service obligations, working capital and capital expenditures. The Company's primary sources of liquidity are cash flows from operations and borrowings under the New Credit Facility. Subsequent to September 30, 1997, the Company entered into the New Credit Facility which provides for up to \$100.0 million of borrowing capacity, based upon the level of the Company's accounts receivable. Up to \$30.0 million of the total commitment under the New Credit



Facility may be derived from eligible accounts receivable of LEP International Ltd., a subsidiary of LIW ("LEP UK"). In addition to the increase in borrowing capacity provided by the New Credit Facility and the Notes, the Company intends to improve the efficiency of existing cash management consistent with systems currently used by other multinational corporations in order to reduce the need for external borrowing and to improve liquidity. The Company estimates its capital expenditures for 1997 and 1998 will be \$13.7 million and \$19.5 million, respectively. Of these amounts, \$8.7 million and \$12.8 million, respectively, relate to information technology projects. The Company also will be required to pay \$0.9 million prior to July 1999 to purchase the remainder of its Italian affiliate and may have to fund undetermined amounts in connection with the ultimate resolution of tax, customs and similar matters and in connection with stock repurchase and other incentive compensation. See "Management--Incentive Compensation Plans--Employee Stock Ownership." See "Business--Litigation." The Company believes that funds provided from operations, cash available from proceeds of the Old Notes Offering, improved cash management and borrowings under the New Credit Facility will be sufficient to meet planned financial commitments and anticipated future needs.

As of September 30, 1997, after giving pro forma effect to the Old Notes Offering, the Company would have had \$110.0 million of debt relating to the Notes, \$9.7 million of other funded indebtedness outstanding and no borrowings under the New Credit Facility. However, as of December 10, 1997, the Company had approximately \$34.2 million in letters of credit outstanding under the New Credit Facility, leaving approximately \$65.8 million of unused credit commitment under such facility.

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#### COMPANY PREDECESSOR

#### GENERAL

Following the acquisition of Bekins on May 2, 1996, Bekins' changed its fiscal year-end from March 31 to December 31. The results of Bekins are presented in three principal operating units: HVP/Logistics, HHG and BMS. The Company has pursued a strategy of converting the Company-owned BMS service centers into centers owned by independent moving and storage agents, which have or will become part of the Bekins HHG agent network. Since the acquisition of Bekins, BMS has been treated as a discontinued operation, with its net assets recorded on the balance sheet; however, the results are included in the Company Predecessor financial statements. See "Notes to Consolidated Financial Statements of the Company--Note 3."

#### RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the relative contribution to income and expense of the HVP/Logistics division, HHG division and BMS division.

<TABLE>  
<CAPTION>

|                                    | FISCAL YEAR ENDED MARCH 31, |            |            |
|------------------------------------|-----------------------------|------------|------------|
|                                    | 1994                        | 1995       | 1996       |
|                                    | (IN THOUSANDS)              |            |            |
| <S>                                | <C>                         | <C>        | <C>        |
| STATEMENT OF OPERATIONS DATA:      |                             |            |            |
| Revenues:                          |                             |            |            |
| HVP/Logistics.....                 | \$ 70,711                   | \$ 76,736  | \$ 80,970  |
| HHG.....                           | 115,221                     | 112,282    | 103,518    |
| BMS.....                           | 52,880                      | 53,948     | 47,264     |
| Consolidated.....                  | \$ 238,812                  | \$ 242,966 | \$ 231,752 |
| Net Revenues:                      |                             |            |            |
| HVP/Logistics.....                 | \$ 13,440                   | \$ 14,279  | \$ 15,521  |
| HHG.....                           | 19,999                      | 17,845     | 18,765     |
| BMS.....                           | 18,803                      | 19,564     | 17,855     |
| Consolidated.....                  | 52,242                      | 51,688     | 52,141     |
| Other Operating Expenses:          |                             |            |            |
| HVP/Logistics.....                 | 9,269                       | 10,402     | 11,820     |
| HHG.....                           | 14,580                      | 14,965     | 14,615     |
| BMS.....                           | 16,950                      | 17,641     | 16,375     |
| Consolidated.....                  | 40,799                      | 43,008     | 42,810     |
| Depreciation and Amortization..... | 6,054                       | 5,675      | 4,194      |
| Operating Income.....              | 5,389                       | 3,005      | 5,137      |
| Interest Expense, Net.....         | 1,758                       | 2,252      | 2,397      |
| Other (Income) Expense.....        | (26)                        | (259)      | 34         |
| Income Tax Provision.....          | 1,880                       | 816        | 1,508      |

|                      |           |          |          |
|----------------------|-----------|----------|----------|
| Net Income.....      | \$ 1,777  | \$ 196   | \$ 1,198 |
| EBITDA:              |           |          |          |
| HVP/Logistics.....   | \$ 4,171  | \$ 3,877 | \$ 3,701 |
| HHG.....             | 5,445     | 3,139    | 4,116    |
| BMS.....             | 1,853     | 1,923    | 1,480    |
| Consolidated.....    | \$ 11,469 | \$ 8,939 | \$ 9,297 |
| EBITDA/Net Revenues: |           |          |          |
| HVP/Logistics.....   | 31.0%     | 27.1%    | 23.8%    |
| HHG.....             | 27.2%     | 17.6%    | 21.9%    |
| BMS.....             | 9.9%      | 9.8%     | 8.3%     |
| Consolidated.....    | 21.9%     | 17.3%    | 17.8%    |

</TABLE>

# FISCAL YEAR ENDED MARCH 31, 1996 VERSUS FISCAL YEAR ENDED MARCH 31, 1995

REVENUES. Revenues decreased by approximately \$11.2 million, or 4.6%, to \$231.8 million for the year ended March 31, 1996 from \$243.0 million for the year ended March 31, 1995. Revenues of the HVP/ Logistics division increased by approximately \$4.3 million, or 5.5%, to \$81.0 million for the year ended March 31, 1996 from \$76.7 million for the year ended March 31, 1995. Such increase was attributable primarily to growth in the value-added logistics services business which was partially offset by an intentional reduction of low-margin truckload business.

Revenues of the HHG division decreased by approximately \$8.8 million, or 7.8%, to \$103.5 million for the year ended March 31, 1996 from \$112.3 million for the year ended March 31, 1995. This decrease was primarily attributable to a program initiated by Bekins' HHG management to strengthen the profitability of the HHG division. Specific HHG strategies were developed to eliminate lower margin national account business and create a geographic balance of tonnage, thereby also providing operational efficiencies. Such balance was achieved through the creation of a zoned pricing matrix which allowed the management of spot pricing by region for non-contract customers.

Revenues of the BMS division decreased by approximately \$6.6 million, or 12.4%, to \$47.3 million for the year ended March 31, 1996 from \$53.9 million for the year ended March 31, 1995. The BMS division revenue was also substantially impacted by the new HHG strategy, particularly as it related to the national balance of tonnage, with the majority of BMS revenue derived from the Southwest region of the United States.

NET REVENUES. Net revenues increased by approximately \$0.4 million, or 0.9%, to \$52.1 million for the year ended March 31, 1996 from \$51.7 million for the year ended March 31, 1995. In the HVP/ Logistics division, net revenues as a percentage of revenue increased to 19.2% for the year ended March 31, 1996 from 18.6% for the year ended March 31, 1995 due to an increased focus on generating higher prices per shipment and providing more value-added services such as inventory management and home delivery.

In the HHG division, net revenues as a percentage of revenues increased to 18.1% for the year ended March 31, 1996 from 15.9% for the year ended March 31, 1995. The increase in net revenues for the HHG division was primarily attributable to more efficient operations resulting from the improved geographic balance of tonnage.

In the BMS division, the \$1.7 million net revenue decrease was attributable to a decrease in revenue, partially offset by a favorable change in the product mix. Net revenues as a percentage of revenue increased to 37.8% for the year ended March 31, 1996 from 36.3% for the year ended March 31, 1995.

OTHER OPERATING EXPENSES. Other operating expenses remained virtually unchanged, decreasing by approximately \$0.2 million, or 0.5%, to \$42.8 million for the year ended March 31, 1996 from \$43.0 million for the year ended March 31, 1995. The other operating expenses of the HVP/Logistics division increased along with the growth in revenue, because incremental resources were employed to manage the future revenue growth and introduce more value-added services, while other operating expenses of the HHG and BMS divisions decreased as a result of the lower revenues.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense decreased by approximately \$1.5 million, or 26.1%, to \$4.2 million for the year ended March 31, 1996 from \$5.7 million for the year ended March 31, 1995. This decline was attributable primarily to a shift from ownership and depreciation of trailers to leasing of trailers.

OPERATING INCOME. Operating income increased by approximately \$2.1 million, or 70.9%, to \$5.1 million for the fiscal year ended March 31, 1996 from \$3.0

million for the fiscal year ended March 31, 1995. This increase was primarily due to the reduction in depreciation and amortization noted above together with improvements in net revenues and improved management of other operating expenses primarily in the HHG and BMS divisions.

EBITDA. EBITDA increased by approximately \$0.4 million, or 4.0%, to \$9.3 million for the year ended March 31, 1996 from \$8.9 million for the year ended March 31, 1995. EBITDA as a percentage of net revenues increased to 17.8% from 17.3%. The increase was primarily attributable to improvements in operating leverage and cost controls implemented in the HHG and BMS divisions. EBITDA for the HVP/ Logistics division fell slightly as the pace of infrastructure investment exceeded revenue growth to enable the division to harness future growth opportunities.

INTEREST EXPENSE, NET. Interest expense, net increased by approximately \$0.1 million, or 6.4%, to \$2.4 million for the fiscal year ended March 31, 1996 from \$2.3 million for the fiscal year ended March 31, 1995. This increase was primarily due to an increase in the weighted average interest rate during the period to 8.6% from 7.3%. This increase in rate was partially offset by a reduction

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in borrowings, primarily in the fourth fiscal quarter of the fiscal year ended March 31, 1996, to \$10.9 million from \$19.5 million at March 31, 1995, due to improved working capital management and the disposition of certain BMS assets.

INCOME TAX PROVISION. Income taxes increased by approximately \$0.7 million to \$1.5 million for the fiscal year ended March 31, 1996 from \$0.8 million for the fiscal year ended March 31, 1995. The effective tax rate was 56.0% for the fiscal year ended March 31, 1996 compared to 81.0% for the fiscal year ended March 31, 1995. This decrease in effective tax rate was related to the overall increase in earnings resulting in less of an impact of non-deductible intangible asset amortization.

NET INCOME. Net income increased by approximately \$1.0 million to \$1.2 million for the fiscal year ended March 31, 1996 from \$0.2 million for the fiscal year ended March 31, 1995. This improvement was attributable to increased net revenues achieved through operating improvements and reduced depreciation and amortization expense.

#### FISCAL YEAR ENDED MARCH 31, 1995 VERSUS FISCAL YEAR ENDED MARCH 31, 1994

REVENUES. Revenues increased by approximately \$4.2 million, or 1.7%, to \$243.0 million for the fiscal year ended March 31, 1995 from \$238.8 million for the fiscal year ended March 31, 1994.

Revenues of the HVP/Logistics division increased by approximately \$6.0 million, or 8.5%, to \$76.7 million for the year ended March 31, 1995 from \$70.7 million for the year ended March 31, 1994. This increase was primarily attributable to growth in the HVP/Logistics division and its entry into the home delivery market.

Revenues of the HHG division decreased by approximately \$2.9 million, or 2.6%, to \$112.3 million for the year ended March 31, 1995 from \$115.2 million for the year ended March 31, 1994. The HHG division revenues declined as a result of insufficient hauling capacity related to a nationwide imbalance of tonnage during the peak summer months. Significant revenue was rejected by the HHG division due to its inability to service the tonnage during the summer of 1994.

Revenues of the BMS division increased by approximately \$1.0 million, or 2.0%, to \$53.9 million for the year ended March 31, 1995 from \$52.9 million for the year ended March 31, 1994. This increase was primarily a result of increased volume in BMS's California locations due to the January 1994 earthquake which caused significant storage activity in the spring and summer of 1994.

NET REVENUES. Net revenues decreased by approximately \$0.6 million, or 1.1%, to \$51.7 million for the fiscal year ended March 31, 1995 from \$52.2 million for the fiscal year ended March 31, 1994. Net revenue of the HVP/Logistics division increased by approximately \$0.8 million, or 6.2%, to \$14.3 million for the year ended March 31, 1995 from \$13.4 million for the year ended March 31, 1994. Such increase was attributable to the increase in revenue, partially offset by higher costs and lower margins related to the new home delivery business segment. Net revenue as a percentage of revenue decreased to 18.6% for the year ended March 31, 1995 from 19.0% for the year ended March 31, 1994.

Net revenues of the HHG division decreased \$2.2 million, or 10.8%, to \$17.8 million for the fiscal year ended March 31, 1995 from \$20.0 million for the fiscal year ended March 31, 1994. Net revenues of the HHG division as a percentage of revenue decreased to 15.9% for the year ended March 31, 1995 from 17.4% for the year ended March 31, 1994. This decrease was primarily attributable to increased operational costs in the HHG division related to the geographic imbalance of tonnage.

Net revenue of the BMS division as a percentage of revenue increased to 36.3% for the year ended March 31, 1995 from 35.6% for the year ended March 31, 1994. The increase in net revenue in the BMS division was attributable to an increase in revenue, and a favorable change in product offerings to a higher percentage of storage revenue.

**OTHER OPERATING EXPENSES.** Other operating expenses increased by approximately \$2.2 million, or 5.4%, to \$43.0 million for the fiscal year ended March 31, 1995 from \$40.8 million for the fiscal year ended March 31, 1994. This increase was principally due to customer service and operational control costs associated with the growth and development in the HVP/Logistics business.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense decreased by \$0.4 million, or 6.3%, to \$5.7 million for the year ended March 31, 1995 from \$6.1 million for the year ended March 31, 1994. This decrease was primarily attributable to a shift from ownership and depreciation of trailers to leasing of trailers.

**OPERATING INCOME.** Operating income decreased by approximately \$2.4 million, or 44.2%, to \$3.0 million for the fiscal year ended March 31, 1995 from \$5.4 million for the fiscal year ended March 31, 1994. This decrease was primarily due to decreases in the HHG division revenues combined with higher other operating expenses.

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**EBITDA.** EBITDA decreased by approximately \$2.6 million, or 22.1%, to \$8.9 million for the fiscal year ended March 31, 1995 from \$11.5 million for the fiscal year ended March 31, 1994. This decrease was principally due to the HHG division imbalance of tonnage and the resultant operational inefficiencies and the increase in other operating expenses of the HVP/Logistics division. As a percentage of net revenues, EBITDA decreased to 17.3% for the fiscal year ended March 31, 1995 from 21.9% for the fiscal year ended March 31, 1994.

**INTEREST EXPENSE, NET.** Interest expense, net increased by approximately \$0.4 million, or 28.1%, to \$2.2 million for the fiscal year ended March 31, 1995, from \$1.8 million for the fiscal year ended March 31, 1994. This increase in interest expense was due to a slightly higher level of borrowings during the year ended March 31, 1995 and an increase in the weighted average interest rate to 7.3% from 5.4%.

**INCOME TAX PROVISION.** Income taxes decreased by approximately \$1.1 million to \$0.8 million for the fiscal year ended March 31, 1995 from \$1.9 million for the fiscal year ended March 31, 1994. The effective tax rate was 81% for the fiscal year ended March 31, 1995 compared to 51% for the fiscal year ended March 31, 1994. The increase in effective rate was related to the overall decrease in earnings and the resulting larger impact that the non-deductible intangible asset amortization had on the effective tax rate.

**NET INCOME.** Net income decreased by approximately \$1.6 million to \$0.2 million for the fiscal year ended March 31, 1995 from \$1.8 million for the fiscal year ended March 31, 1994. This increase was attributable to lower net revenues, increases in other operating expenses and higher interest expense.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 1996 totaled \$1.4 million compared to \$1.9 million at March 31, 1995. Long-term debt was reduced by approximately \$9.1 million to \$11.9 million at March 31, 1996 from \$21.0 million at March 31, 1995. This debt reduction was a result of increased cash flow from operations and improved management of working capital. The working capital deficit at March 31, 1996 was \$14.9 million as a result of the classification of the Company's revolving credit facility of \$10.9 million as a current liability because of the expiration date of July 31, 1996. At March 31, 1995, the working capital deficit was \$1.4 million.

On May 2, 1996, Bekins was acquired by the Company and all outstanding debt was paid in full.

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LIW

#### GENERAL

LIW was founded in 1849 and is one of the leading European-based international freight forwarding companies. In October 1996, the Company acquired LEP from LIW, acquired a 33.3% interest in LIW and entered into long-term agreements with LIW to continue to operate LEP and the remaining LIW operations as an integrated network. The net proceeds to LIW resulting from the LEP Sale were used to restructure certain operations that had been generating operating losses in LIW's European operations. In September 1997, the Company exercised options and warrants with respect to equity of LIW which increased ILOG's ownership position in LIW from 33.3% to 75.2% of LIW's outstanding

ordinary shares.

With respect to the nine months ended September 30, 1996, the financial statements of LIW have been derived from management reports. Management has made such adjustments to these reports as they believe are necessary for a fair presentation of the Statement of Operations with respect to the nine months ended September 30, 1996. However, there can be no assurances that such financial statements are as reliable or accurate as financial statements that were prepared using normal interim period or year-end financial reporting procedures. In addition, such financial statements have not been subject to independent review of the independent accountants of LIW or the Company.

#### RESULTS OF LIW EUROPE, LIW ASIA/PACIFIC AND LEP OPERATIONS

The following table sets forth, for the periods indicated, the relative contribution to income and expense of LIW Europe, LIW Asia/Pacific and LEP. The Company acquired LEP on October 31, 1996 and the results of operations for LIW following such date do not include results of operations of LEP.

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|   | TWELVE MONTHS ENDED<br>DECEMBER 31, |            | NINE MONTHS ENDED<br>SEPTEMBER 30, |          |
|---|-------------------------------------|------------|------------------------------------|----------|
|   | 1995                                | 1996       | 1996                               | 1997     |
|   | (POUNDS IN THOUSANDS)               |            |                                    |          |
|   | <C>                                 | <C>        | <C>                                | <C>      |
| <S>   |                                     |            |                                    |          |
| STATEMENT OF OPERATIONS DATA:                                 |                                     |            |                                    |          |
| Revenues (a):   |                                     |            |                                    |          |
| LIW Europe.....   | L556,188                            | L543,409   | L402,722                           | L370,710 |
| LIW Asia/Pacific.....   | 180,754                             | 180,690    | 139,587                            | 134,316  |
| LEP.....  | 369,281                             | 303,127    | 274,953                            | --       |
| Consolidated.....   | L1,106,223                          | L1,027,226 | L817,262                           | L505,026 |
| Net Revenues:   |                                     |            |                                    |          |
| LIW Europe.....   | L103,181                            | L100,385   | L71,813                            | L65,065  |
| LIW Asia/Pacific.....   | 37,156                              | 41,967     | 30,924                             | 31,525   |
| LEP.....  | 59,143                              | 50,359     | 45,501                             | --       |
| Consolidated.....   | 199,480                             | 192,711    | 148,238                            | 96,590   |
| Other Operating Expenses:                                     |                                     |            |                                    |          |
| LIW Europe.....   | 110,847                             | 101,751    | 72,880                             | 63,998   |
| LIW Asia/Pacific.....   | 33,202                              | 37,297     | 27,838                             | 27,361   |
| LEP.....  | 57,942                              | 50,278     | 45,343                             | --       |
| Corporate.....  | 2,849                               | 2,661      | 2,167                              | 3,641    |
| Consolidated.....   | 204,840                             | 191,987    | 148,228                            | 95,000   |
| Depreciation and Amortization.....                            | 4,234                               | 3,668      | 2,935                              | 1,554    |
| Operating Income (Loss).....                                  | (9,594)                             | (2,944)    | (2,925)                            | 36       |
| Interest Expense, Net.....                                    | 2,741                               | 1,325      | 1,144                              | 506      |
| Share of (Income) Loss in Equity Investments.....             | 1,021                               | 1,369      | 698                                | 565      |
| Other (Income) Expense.....                                   | --                                  | (5,800)    | --                                 | 275      |
| Income (Loss) Before Income Taxes and Minority Interests..... | (13,356)                            | 162        | (4,767)                            | (1,310)  |
| Income Tax Provision (Benefit).....                           | 5,987                               | 2,588      | 1,599                              | 1,246    |
| Income (Loss) Before Minority Interests.....                  | (19,343)                            | (2,426)    | (6,366)                            | (2,556)  |
| Minority Interests.....                                       | (397)                               | (412)      | (487)                              | (223)    |
| Net Income (Loss).....  | L(19,740)                           | L(2,838)   | L(6,853)                           | L(2,779) |
| OTHER DATA:   |                                     |            |                                    |          |
| EBITDA:   |                                     |            |                                    |          |
| LIW Europe.....   | L(6,996)                            | L(1,833)   | L(1,067)                           | L113     |
| LIW Asia/Pacific.....   | 3,719                               | 4,444      | 3,056                              | 4,124    |
| LEP.....  | 1,201                               | 81         | 158                                | --       |
| Corporate.....  | (2,849)                             | 3,139      | (2,168)                            | (3,916)  |
| Consolidated.....   | L(4,925)                            | L5,831     | L(21)                              | L321     |
| EBITDA/Net Revenues:  |                                     |            |                                    |          |
| LIW Europe.....   | (6.8)%                              | (1.8)%     | (1.5)%                             | 0.2%     |
| LIW Asia/Pacific.....   | 10.0                                | 10.5       | 9.9                                | 13.1     |
| LEP.....  | 2.0                                 | 0.2        | 0.3                                | --       |
| Consolidated.....   | (2.5)                               | 3.0        | --                                 | 0.3      |

(a) Revenues include intercompany balances between LIW and LEP as well as duties and value-added tax paid on behalf of customers and subsequently invoiced to customers.

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NINE MONTHS ENDED SEPTEMBER 30, 1997 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1996

**REVENUES.** Revenues decreased by approximately L312.3 million to L505.0 million for the nine months ended September 30, 1997 from L817.3 million for the nine months ended September 30, 1996. This decrease was primarily attributable to the sale of LEP to ILOG on October 31, 1996, (the "LEP Sale") which reduced overall revenues by L275.0 million between the two periods. In addition, currency fluctuations accounted for L67.5 million of the decrease over the period. Exclusive of currency fluctuations, the combined revenues of LIW Europe and LIW Asia/Pacific (the "Retained Businesses") increased by L30.2 million, or 5.6%, with LIW Europe accounting for L21.0 million of the increase and LIW Asia/Pacific for L9.2 million. These increases were due in part to increased air and ocean volumes of the export-oriented manufacturers served by LIW in the growth economies of the Asia/Pacific region.

**NET REVENUES.** Net revenues decreased by approximately L51.6 million to L96.6 million for the nine months ended September 30, 1997 from L148.2 million for the nine months ended September 30, 1996. This decrease was primarily attributable to the LEP Sale, which reduced net revenues by L45.5 million. In addition, currency fluctuations accounted for L12.5 million of the decrease. Exclusive of currency fluctuations, the net revenues of the Retained Businesses increased by L6.3 million, or 5.6%. LIW Europe increased by L2.3 million and LIW Asia/Pacific increased by L2.0 million. Net revenues as a percentage of revenues increased to 19.1% for the nine months ended September 30, 1997, from 18.1% for the nine months ended September 30, 1996.

**OTHER OPERATING EXPENSES.** Other operating expenses decreased by approximately L53.2 million to L95.0 million for the nine months ended September 30, 1997 from L148.2 million for the nine months ended September 30, 1996. This decrease was primarily attributable to the LEP Sale which resulted in a decrease of L45.3 million in other operating expenses. Currency fluctuations accounted for L12.2 million of the reduction in these expenses. Exclusive of the impact of currency fluctuations, other operating expenses of the Retained Businesses increased slightly by L4.3 million. Other operating expenses as a percentage of net revenues improved to 98.3% to September 30, 1997 from 99.6% in the first nine months of 1996. Redundancy/restructuring charges were included in other operating expenses for each of the 1997 and 1996 periods.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense decreased by approximately L1.4 million to L1.5 million for the nine months ended September 30, 1997 from L2.9 million for the nine months ended September 30, 1996. This decrease was primarily attributable to the reduction in depreciable assets associated with the LEP Sale.

**OPERATING INCOME (LOSS).** Operating income increased by approximately L3.0 million to a profit of L0.1 million for the nine months ended September 30, 1997 from a loss of L2.9 million for the nine months ended September 30, 1996. This increase was partially attributable to (i) the LEP Sale which removed losses of L0.9 million, (ii) an increase of L2.3 million in the profits of LIW Europe and (iii) an increase of L1.1 million in the profits of LIW Asia/Pacific. None of the foregoing factors were impacted by currency fluctuations.

**EBITDA.** EBITDA increased by approximately L0.3 million to L0.3 million in the nine months ended September 30, 1997 from a breakeven for the nine months ended September 30, 1996. This increase was primarily attributable to an increase in the net revenues of the Retained Businesses and the LEP Sale which removed the losses associated with LEP. As a result of these factors, EBITDA expressed as a percentage of net revenues, improved to 0.3% for the nine months ended September 30, 1997 from zero for the nine months ended September 30, 1996.

**INTEREST EXPENSE, NET.** Interest expense, net decreased by approximately L0.6 million to L0.5 million for the nine months ended September 30, 1997 from L1.1 million for the nine months ended September 30, 1996. This decrease was primarily due to lower average outstanding debt balances following the L17.3 million reduction in borrowings which were repaid in 1996 from the proceeds of the LEP Sale.

**SHARE OF INCOME (LOSS) IN EQUITY INVESTMENT.** The Company's share of losses in equity investments decreased by approximately L0.1 million for the nine months ended September 30, 1997 to L0.6 million from L0.7 million for the nine months ended September 30, 1996. This decrease is due to reduced losses from LIW's 50% equity interest in its Italian affiliate.

**INCOME TAX PROVISION.** The provision for income tax decreased by

approximately L0.4 million to L1.2 million for the nine months ended September 30, 1997 from L1.6 million for the nine months ended September 30, 1996. The decrease is primarily attributable to the LEP Sale. In both periods, LIW was a net payer of taxes on a worldwide basis as a result of a corporate structure wherein losses in one country cannot be offset against profits in another country.

MINORITY INTERESTS. Interests of minority shareholders in certain subsidiaries of LIW decreased by approximately L0.3 million to L0.2 million for the nine months ended September 30, 1997 from L0.5 million for the nine months ended September 30, 1996. The decrease is primarily due to the impact of foreign currency fluctuations in those Asian subsidiaries which have minority interests.

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NET INCOME (LOSS). Net loss decreased by approximately L4.1 million to a loss of L2.8 million for the nine months ended September 30, 1997 from a net loss of L6.9 million for the nine months ended September 30, 1996. The improvement is primarily attributable to the factors affecting the aforementioned increase in operating income in combination with reductions in depreciation expense and interest expense occasioned by the LEP Sale.

FISCAL YEAR ENDED DECEMBER 31, 1996 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 1995

REVENUES. Revenues decreased by approximately L79.0 million, or 7.1%, to L1,027.2 million for the fiscal year ended December 31, 1996 from L1,106.2 million for the fiscal year ended December 31, 1995. This decrease was primarily attributable to the LEP Sale on October 31, 1996, which reduced revenues by L68.7 million. Currency fluctuations accounted for an additional L6.0 million of the reduction. Exclusive of currency fluctuations, revenues of the Retained Businesses decreased by L4.3 million reflecting increased pricing pressure within continental Europe and decreases in the revenues of the Australian business.

NET REVENUES. Net revenues decreased by approximately L6.8 million, or 3.4%, to L192.7 million for the fiscal year ended December 31, 1996 from L199.5 million for the fiscal year ended December 31, 1995. Currency fluctuations accounted for L1.1 million of the decrease in net revenues while the LEP Sale contributed L9.2 million to the decrease. Exclusive of currency fluctuations, net revenues of the Retained Businesses increased by L3.5 million. The L1.4 million decrease in net revenues of Europe was more than offset by increases of L4.9 million in LIW Asia/Pacific. Net revenue as a percentage of revenue for the period increased to 18.8% in 1996 from 18.0% in 1995.

OTHER OPERATING EXPENSES. Other operating expenses decreased by approximately L12.8 million, or 6.3%, to L192.0 million for the fiscal year ended December 31, 1996 from L204.8 million for the fiscal year ended December 31, 1995. This decrease was primarily attributable to the LEP Sale, which reduced other operating expenses by L8.0 million. Currency fluctuations accounted for L1.3 million of the decrease. Exclusive of currency fluctuations, other operating expenses of the Retained Businesses decreased by L3.5 million over the period, as LIW Europe decreased by L7.6 million and LIW Asia/Pacific increased by L4.1 million. Redundancy/restructuring charges were reflected in other operating expenses for the fiscal years ended December 31, 1995 and 1996. The decline in expense levels in LIW Europe reflects the benefits of certain restructuring efforts and administrative personnel reductions undertaken in 1995 and 1996, while increases in other operating expenses of LIW Asia/Pacific were consistent with the growth of business in that region. Other operating expenses as a percentage of net revenues for the period improved to 99.6% in 1996 from 102.7% in 1995.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense decreased by approximately L0.5 million, or 13.4%, to L3.7 million for the fiscal year ended December 31, 1996, from L4.2 million for the fiscal year ended December 31, 1995. This decrease was primarily attributable to the decrease in depreciable assets associated with the LEP Sale.

OPERATING INCOME (LOSS). Operating loss improved by approximately L6.7 million to a loss of L2.9 million for the year ended December 31, 1996 from a loss of L9.6 million for the year ended December 31, 1995. This improvement was attributable to reduced losses, net of currency fluctuations, in LIW Europe of L6.7 million as a result of a decrease in other operating expenses while LIW Asia/Pacific also improved by L0.7 million. This was offset by a decrease in income due to the divestiture of LEP of L0.9 million. In addition, depreciation and amortization decreased by L0.5 million, while currency fluctuations had no significant impact on the operating loss results.

EBITDA. EBITDA increased by approximately L10.7 million to L5.8 million for the year ended December 31, 1996 from a loss of L4.9 million for the year ended December 31, 1995. This increase was primarily attributable to reductions in other operating expenses partially offset by a decrease in consolidated net revenues. While this EBITDA improvement includes the gain on the LEP Sale of L5.8 million, LIW Europe reported a L5.2 million improvement in EBITDA.



INTEREST EXPENSE, NET. Interest expense, net decreased by approximately L1.4 million, or 52%, to L1.3 million for the fiscal year ended December 31, 1996 from L2.7 million for the fiscal year ended December 31, 1995. This decrease was due to the reduction of borrowings from the proceeds from the sales of a minority interest in a Swiss freight forwarding business in the beginning of 1996, and the reduction of L17.3 million of borrowings which were repaid in 1996 from the proceeds of the LEP Sale.

SHARE OF INCOME (LOSS) IN EQUITY INVESTMENT. LIW's share of losses in equity investments increased by approximately L0.4 million to L1.4 million for the year ended December 31, 1996 from L1.0 million for the year ended December 31, 1995. LIW's principal investment is a 50% share in its Italian affiliate, where LIW's share of such entity's loss was unchanged at a loss of L1.4 million. In 1995, LIW reported a profit of L0.4 million from its 33% interest in a Swiss freight forwarding business which was sold at the start of 1996.

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INCOME TAX PROVISION. The provision for income tax decreased by L3.4 million to L2.6 million for the year ended December 31, 1996 from L6.0 million for the year ended December 31, 1995. The 1995 provision includes a general provision of L2.5 million recorded to provide for contingent tax liabilities in a number of countries. The improvement in profit before taxation has little impact on the tax charge as a result of losses being reduced, and also as the profit on the LEP Sale was not subject to significant taxes.

MINORITY INTEREST. There was no change in the minority share of profit of L0.4 million.

NET INCOME (LOSS). Net loss decreased by approximately L16.9 million to a net loss of L2.8 million for the year ended December 31, 1996 from a net loss of L19.7 million for the year ended December 31, 1995. This reduction was attributable to the factors affecting the aforementioned increase in operating income in conjunction with reductions in depreciation expense and interest expense occasioned by the LEP Sale. In addition, a gain on the sale of LEP of L5.8 million was recorded in other income in the 1996 period.

#### LIQUIDITY AND CAPITAL RESOURCES

In connection with the LEP Sale, LIW's net working capital was reduced by L10.7 million and the cash position of LIW was improved as a result of the removal of L14.4 million of loans and borrowings. The cash proceeds of L6.0 million received by LIW from the LEP Sale were applied by LIW to repay L2.9 million of borrowings in Europe and Australia and L2.3 million for restructuring costs primarily in Germany. At September 30, 1997, LIW had borrowings of L9.7 million and cash balances of L13.7 million.

For the fiscal year ended December 31, 1996, the principal sources of cash for LIW were L6.0 million from the LEP Sale, L5.4 million from the sale of shares in a freight forwarding business in Switzerland, and L2.7 million from the sale of fixed assets, including L1.9 million from the sale of certain real estate and assets in the United Kingdom. Operating losses of L2.9 million were offset by L3.7 million of depreciation. Interest costs amounted to L1.8 million, which includes interest costs of L1.2 million in respect of the borrowings of the North American business prior to the LEP Sale. Tax charges of L2.4 million were paid as operating losses in certain countries were not able to shelter taxable income in profitable countries. Capital expenditures totalled L1.8 million in the period.

During the fiscal year ended December 31, 1995, cash inflows consisted of L5.2 million of capital contributed to LIW by its sole shareholder, L6.3 million in commercial loans and L6.7 million in overdraft facilities. Cash outflows consisted of losses of L5.4 million, net of depreciation, additional working capital investment of L4.0 million, interest costs of L2.7 million, tax charges of L3.0 million and capital expenditures of L3.0 million including L0.9 million on FAST 400 software development.

In the nine months ending September 30, 1997 cash of L1.3 million was generated from operations and L2.4 million was generated by reduced working capital of which L0.8 million was used to fund income tax charges.

At September 30, 1997, LIW had loan facilities with a number of banks in the countries in which it operates. Such facilities aggregate to L34.0 million of which L23.0 million relate to customs and other guarantees integral to LIW's freight forwarding operations. The remaining L11.0 million is available in overdraft/revolver facilities, on which the utilization varies. Additional facilities include mortgage loans of L1.4 million secured by property in Germany and Portugal. The remainder of the facilities are normally fully utilized over the course of an average month, however, the degree and timing of utilization varies by region. For LIW Europe, peak utilization is normally in the middle of the month as customs duties and excise taxes are paid. In LIW Asia/Pacific peak utilization varies among countries depending on local terms of trade.

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## HISTORY

The Company was formed in 1996 by Oaktree, WESS and Roger E. Payton, the Company's President and Chief Executive Officer who has over 20 years experience in the logistics industry, with the objective of developing a leading provider of global logistics services for major multinational companies. The Company believes that it can accomplish its objective by offering comprehensive logistics and freight forwarding services that fulfill the individual requirements of multinational customers that outsource their logistics needs. In furtherance of the Company's strategy, the Company has assembled, through a series of strategic acquisitions, a core platform of leading domestic and international logistics companies that serve the niche markets that the Company has targeted for future growth.

On May 2, 1996, the Company acquired Bekins. Founded in 1891, Bekins has historically been a provider of HHG hauling and storage services. In recent years, Bekins has expanded its service offerings to include inventory management, distribution, specialized truck transportation and TimeLok, a network-based transportation and warehouse logistics operation which services manufacturers and distributors of high value products ("HVP"). As of June 30, 1997 Bekins operated through a United States network of 92 HVP Logistics service centers and 283 HHG service centers, all of which were owned by independent agents.

On October 31, 1996, the Company acquired LEP-USA and LEP-Canada from LIW in the first step of the overall acquisition of LIW. Founded in 1973, LEP-USA is a non-asset-based freight forwarder serving niche transport segments of both the United States and international freight forwarding and logistics markets. As of June 30, 1997, LEP-USA operated 56 full service offices throughout the United States and Puerto Rico, 26 of which were owned by the Company, with the remainder owned and operated by agents. Founded in 1930, LEP-Canada operates 12 offices located throughout Canada and provides international freight forwarding and logistics services, focusing on inbound transportation, customs clearance activities and trade fairs and exhibitions.

On November 7, 1996, the Company acquired Matrix. Founded in 1986, Matrix offers specialized international relocation services for executives of multinational companies and government agencies and project cargo logistics services for major infrastructure development projects. Matrix provides its services through five offices in the United States, one minority partnership in Holland, one exclusive agent in Canada and eight joint venture offices in the Commonwealth of Independent States (the former Soviet Union).

In September 1997, the Company expanded its international operations by acquiring a controlling interest in the common equity of LIW and executing options to acquire the remaining capital stock and securities convertible into capital stock of LIW. See "Recent Acquisitions--Acquisition of LIW." Founded in 1849, LIW provided complete freight forwarding and logistics services through 196 branches in 26 countries, as of June 30, 1997. In Europe, LIW operates a pan-European transportation network and has offices in 12 countries including one of the largest freight forwarding businesses in the United Kingdom. In the Asia Pacific region, LIW maintains locations in 14 countries and is particularly well-established in the Hong Kong, Singapore and Philippines markets. Additionally, through strategic alliances in South Africa, the Indian sub-continent, Latin America and the Middle East, LIW provided freight forwarding and logistics services in an additional 42 countries as of June 30, 1997.

The Company believes that the acquisition of all of the equity interests of LIW will complete its efforts to create a global network with a strong local presence in North America, Europe and Asia, capable of providing logistics and transportation solutions to multinational companies. Moreover, the LIW Acquisition affords the Company ownership of FAST 400, LIW's proprietary system for the real-time management of transportation shipments on a multi-modal, multi-currency and multi-lingual basis. The Company believes that FAST 400 is the most advanced information system of its type currently in use in the global freight forwarding and logistics industries. See "Business-- Information Systems".

For a more detailed discussion of the Subsidiary Acquisitions, see "Recent Acquisitions."

## OVERVIEW

The Company is the largest non-asset-based provider of worldwide logistics and transportation services headquartered in the United States, based on revenues for 1996 and after giving pro forma effect to the LIW Acquisition. The Company's primary business operations involve obtaining shipment or material orders from customers, creating and delivering a wide range of logistics solutions to meet customers' specific requirements for transportation and related services, and arranging and monitoring all aspects of material flow activity utilizing advanced information technology systems. These logistics solutions include domestic and international freight forwarding and door-to-door

delivery services using a wide range of transportation modes, including air, ocean, truck and rail. The Company also provides value-added services such as warehousing, inventory management, assembly, customs

brokerage, distribution and installation for manufacturers and retailers of commercial and consumer products such as copiers, computers, pharmaceutical supplies, medical equipment, consumer durables and aviation products. The Company also specializes in arranging for the worldwide transportation of goods for major infrastructure projects, such as power plants, oil refineries, oil fields and mines, to lesser developed countries and remote geographic locations. In addition, the Company provides international and domestic relocation services through two of its divisions. On a pro forma basis after giving effect to the Subsidiary Acquisitions, the Company generated approximately \$1.1 billion of revenues and \$16.2 million of EBITDA for the nine months ended September 30, 1997.

As a non-asset-based logistics services provider, the Company arranges for and subcontracts services on a non-committed basis to airlines, truck lines, van lines, express companies, steamship lines, rail lines and warehousing and distribution operators. By concentrating on network-based solutions, the Company avoids competition with logistics services providers that offer dedicated outsourcing solutions for single elements of the supply chain. Such dedicated logistics companies typically provide expensive, customized infrastructure and systems for a customer's specific application and, as a result, dedicated solutions that are generally asset-intensive, inflexible and invariably localized to address only one or two steps in the supply chain. Conversely, network-based services leverage common infrastructure and technology systems so that solutions are scaleable, replicable and require a minimum amount of customization (typically only at the interface with the customer). This non-asset ownership approach maximizes the Company's flexibility in creating and delivering a wide range of end-to-end logistics solutions on a global basis while simultaneously allowing the Company to exercise significant control over the quality and cost of the transportation services provided.

Through the Subsidiary Acquisitions the Company has created a global network that provides a broad range of transportation and logistics services through points of service in both industrialized and developing nations with a strong local presence in North America, Europe and Asia. As of June 30, 1997, after giving pro forma effect to the LIW Acquisition, the Company serviced over 75,000 active customers through a global network of 75 countries consisting of operations located in 33 countries and strategic alliance partners located in 42 countries. Some of the Company's major customers include Lucent Technologies Inc., Cisco Systems, Inc., Williams-Sonoma, Inc. and Danka Business Systems plc (formerly the office imaging technology division of Eastman Kodak Company). See "Recent Acquisitions."

The U.S. logistics services industry generated approximately \$25.0 billion in revenues in 1996, having experienced an average annual growth rate of approximately 20.0% from 1992 to 1996. The Company believes that the global logistics services industry is three to four times the size of the U.S. logistics services industry. Within the logistics services and freight forwarding industries, the Company targets specific markets in which the Company believes it has a competitive edge. For example, in the freight forwarding market, the Company arranges transportation for shipments of heavy cargo that are generally larger than shipments handled by integrated carriers, such as United Parcel Service of America and Federal Express Corporation. In the logistics market, the Company provides specialized combinations of services that traditional freight forwarders cannot cost-effectively provide, including time-definite delivery requirements, direct-to-store distribution and merge-in-transit movement of products from various vendors in a single coordinated delivery and/or installation to the end-user.

#### BUSINESS STRATEGY

The Company has developed a business strategy designed to increase revenues and expand profit margins which includes the following principal elements:

**EMPHASIZE END-TO-END LOGISTICS SERVICES.** The Company intends to continue to develop and market higher-margin, value-added logistics services. The Company believes that it differentiates itself from its competitors by providing its customers with superior service and added value through a global end-to-end logistics network. The Company is increasingly providing end-to-end logistics programs for a number of major customers in which the Company implements solutions addressing the customers' transportation, customs clearance, warehousing and distribution activities. For example, the Company manages purchase order requests from customers of a computer component manufacturer, selects optimal transportation modes to the United States, United Kingdom and Europe for such computer components, tests equipment to ensure that such equipment is in working order prior to delivery to the customer and delivers the product to the customer on a just-in-time basis. These logistics programs are specifically tailored to solve sourcing and distribution challenges of customers within targeted industries, including life sciences (health-care and pharmaceuticals), office technology, medical equipment and products,

aviation and defense and retail. The implementation of these programs often includes the integration of the Company's information systems with those of its customers, and, in some cases, the stationing of Company personnel at the customers' offices.

**MAINTAIN AND ENHANCE TECHNOLOGICAL LEADERSHIP POSITION.** The Company believes that the ability to provide accurate, up-to-date information on the status of shipments to ensure on-time delivery, real-time visibility of inventory on a global basis and efficient operations provides competitive advantages in the logistics services industry. The Company believes that it is a leader in information processing for transportation logistics and that maintaining and strengthening its leadership position will be critical to

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its continued success. The Company utilizes FAST 400, a proprietary system for the real-time management of shipments on a multi-modal, multi-currency and multi-lingual basis, in certain of its operations. The Company believes that FAST 400 is the most advanced information system of its type currently in use in the global freight forwarding industry. The Company believes that planned system upgrades and expenditures, a significant part of which relate to enhancement of the Company's financial reporting, communications and inventory tracking systems, will complement the technological advantages of FAST 400. The Company expects to spend approximately \$30.0 million over the next three years to conclude the implementation and integration of FAST 400 and its related BUSINESS 400 systems globally, purchase additional information systems equipment and software upgrades and integrate the systems capabilities of its subsidiaries. The Company anticipates that, upon the completion of the planned expenditures, all the Company's subsidiaries will be operating on a single, FAST 400-based system.

**INCREASE PENETRATION OF EXISTING CUSTOMERS.** The Company's broad range of services, dedication to excellent customer service and efforts to develop integrated transportation logistics programs have fostered customer loyalty, enabling the Company to expand sales and services to existing customers. The use of specialized teams of marketing and operational personnel enables the Company to better analyze its customers' transportation logistics requirements and develop more complete end-to-end logistics solutions. For example, the Company recently expanded its services to an apparel manufacturer through the development of a centralized European distribution center that receives delivery of products from 8 points of origin around the world and makes delivery of products to approximately 26 different ultimate points of destination in Europe on a demand basis. In addition, the Company's dedicated marketing staff for major accounts enables it to maintain close contact with its major customers on an ongoing basis. The Company believes that the combination of its knowledge of customer needs, proven level of service, quality and ability to develop customized logistics solutions continues to give the Company the opportunity to expand its business significantly within its existing customer base.

**EXPAND CUSTOMER BASE.** The Company intends to increase the number of major corporations worldwide for which it provides transportation and logistics services. Through industry specialization teams, the Company believes that it can further penetrate certain targeted industries such as life sciences (health care and pharmaceuticals), office technology, medical equipment and products, aviation and defense and retail. For example, the Company recently developed a customized logistics solution for one of the world's leading pharmaceutical companies which required a complete logistics program to support sales sample distribution including temperature control facilities, inventory management, individual item tracking and management control for U.S. Food and Drug Administration compliance. The Company believes that the combination of its global network, high-quality service and ability to develop customized end-to-end logistics solutions will make its services attractive to potential new customers. In addition, the Company believes that its efforts to strengthen its international office network will enhance its ability to add major customers throughout the world.

**STRENGTHEN THE COMPANY'S GLOBAL NETWORK.** The Company has a global network spanning 75 countries which includes offices in 33 countries and strategic partnerships in 42 countries. The Company intends to continue to strengthen its network of Company-owned offices by opening new offices and, to the extent the Company is able to identify appropriate acquisition opportunities, making selective acquisitions. Such expansion is expected to occur in major commercial centers in both the United States and abroad. As more countries with closed or highly-controlled economies have moved toward free market systems, the opportunity for international trade with emerging growth regions has improved significantly. Consequently, the Company continuously monitors and evaluates opportunities in developing nations and plans to expand its operations in Latin America, Asia and the Commonwealth of Independent States to meet the needs of customers that are serving the evolving consumer economies in such areas. The Company believes that such expansion will enhance its ability to offer uniform services on a worldwide basis, thereby enabling it to earn increased revenue from existing and new customers, particularly with respect to shipments originating in countries other than the United States. See "Risk Factors--Risks Associated with International Operations."

EXPAND PRESENCE IN NICHE MARKETS. The Company intends to expand its presence in selected niche markets which utilize the Company's existing transportation and logistics services and provide high marginal profits. In particular, the Company is focused on expanding its niche in project cargo logistics involving large-scale governmental and commercial projects. The Company's project logistics services include multiple-origin transportation planning and evaluation, vendor compliance, risk/opportunity assessment, performance measurement, procedure documentation, and forwarding of heavy material and equipment and its attendant logistics information from multiple points of origins to project locations. The Company believes that the addition of LIW's Asian and European operations to the Company's existing logistics capabilities will allow the Company to continue to expand its position in the market for complex, project cargo logistics solutions.

INDUSTRY OVERVIEW

GENERAL. As business requirements for efficient and cost-effective distribution services have increased, so has the importance and complexity of effectively managing freight transportation. Businesses increasingly strive to minimize inventory levels, perform manufacturing and assembly operations in lowest cost locations and distribute their products to numerous global markets. As a

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result, companies frequently desire expedited or time-definite shipment services. To assist in accomplishing these tasks, many businesses turn to freight forwarders and logistics providers. A freight forwarder procures shipments from customers, makes arrangements for transportation of the cargo on a carrier and may arrange both for pick-up from the shipper to the carrier and for delivery of the shipment from the carrier to the recipient. A logistics provider moves and manages goods from suppliers to end customers with the goal of meeting specific customer requirements, working capital objectives and overall customer satisfaction.

Historically, most transportation services have been provided by companies with capabilities in only one or a very limited number of modes. The Company believes it has differentiated itself by providing traditional transportation services in virtually every mode, as well as by combining these services with value-added logistics services, including pick-and-pack services, merge-in-transit, inventory management, warehousing, reverse logistics, dedicated trucking and regional and local distribution. The Company's logistics managers have the ability to utilize a portfolio of transportation products and design optimal transportation solutions for its customers. The Company believes that it has a competitive advantage resulting from the experience and knowledge of its logistics managers and in the market information it possesses from its diverse client base.

Shippers increasingly use computer technology to control inventory carrying costs and improve customer service by decreasing shipping time through just-in-time delivery systems. The complex distribution systems that result require not only selection of the proper mode to transport freight, but also hands-on management to minimize overall logistics costs. At the same time, in an effort to reduce overhead costs and introduce the expertise necessary to manage their distribution systems, many shippers have sought to downsize their transportation departments by outsourcing all or a portion of the traffic function.

| <TABLE> |                     |  |
|---------|---------------------|--|
| <C>     | <S>                 | <C>  |
| --      | FREIGHT FORWARDING. | Freight forwarding services are provided through the following modes of transportation:  |
| --      | AIR FREIGHT.        | The air freight forwarding industry is highly fragmented. Many industry participants are capable of meeting only a portion of their customers' required transportation service needs. Some national domestic air freight forwarders rely on networks of terminals operated by franchisees or non-exclusive agents. The Company believes that the development and operation of Company-owned and exclusive agent-owned service centers under the supervision of the Company's management have enabled it to provide a higher degree of financial and operational control and service assurance than that offered by franchise-based networks. |
| --      | OCEAN.              | The ocean freight forwarding industry is highly fragmented, consisting of dedicated freight forwarders, private owners and operators of shipping fleets, and state-controlled shipping companies. The demand for ocean freight forwarding services is largely a factor of the level of worldwide economic activity and the distance between major trade areas. Freight rates are determined in a highly competitive global market and have been characterized by a steady decline since the early 1990s.   |
| --      | TRUCKING.           | The largest segment of the non-local trucking industry is comprised of private fleets owned and operated by shippers. This segment has   |

been gradually shrinking since 1980 as truckload carriers have become more service oriented in a deregulated environment. The shipper's focus on profitability has driven a trend toward outsourcing of private fleets. The next largest segment, for-hire truckload, is comprised primarily of specialized niches such as household goods, temperature-controlled flats and tanks. Truckload carriers have traditionally focused on providing services within only one of these niches, with few dominating any particular niche or operating equipment in multiple niches. Less than truckload services are provided by a large number of carriers who specialize in consolidating smaller shipments into truckload quantities for transportation across regional and national networks. Freight forwarders such as the Company have been able to capitalize on these trends in the trucking industry by purchasing excess capacity at reduced rates and by providing incremental freight business to truckload carriers in regions where the marketing presence of the truckload carriers may not be as strong as the freight forwarders.

</TABLE>

**LOGISTICS SERVICES.** The U.S. logistics services industry generated approximately \$25.0 billion in revenues in 1996, having experienced an average annual growth rate of approximately 20.0% from 1992 to 1996. The Company believes that the global logistics services industry is three to four times the size of the U.S. logistics services industry. Such growth is a result of increasing demands by traditional freight forwarding customers for more than the simple movement of freight from their transportation suppliers. To meet these needs, suppliers, such as the Company, seek to customize their services by, among other things, providing information on the status of materials, components and finished goods through the logistics pipeline and providing performance reports on and proof of delivery for each shipment. The growing emphasis of some manufacturers on just-in-time manufacturing and production practices has also added to the demand for rapid deliveries that are available through air freight. As a result of these developments, many companies are realizing that they perform freight transportation management and logistics

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functions less effectively than third-party providers, such as the Company, and are relying increasingly on partial or complete outsourcing of these functions. At the same time, major shippers are seeking to utilize fewer firms to service their transportation management and logistics needs. The Company believes that the continuing trend toward outsourcing and the continuing concentration of transportation suppliers by major shippers offers significant opportunities for those forwarders, such as the Company, with extensive, well-managed global networks and advanced logistics information systems.

**RELOCATION SERVICES.** The top 15 HHG carriers, which accounted for approximately 83.0% of total revenues generated by the 61 carriers who filed with the STB according to the American Movers Conference, generated approximately \$3.2 billion of revenues in 1996, an increase of 5.5% over 1995. The domestic HHG relocation services market is competitive and highly fragmented. The Company competes with approximately 2,000 carriers for the domestic interstate transportation of household goods. These carriers are generally van lines that use the services of independent moving and storage agencies that contractually affiliate with the carrier, although some carriers own and operate company-owned branches. The relocation services industry generally markets to three distinct customer groups: (i) corporate accounts who pay for the relocations of their employees, (ii) private transferees paying for their own moves and (iii) the U.S. Government, which pays for both civilian and military relocations of their personnel. The Motor Carrier Act of 1980 (the "Motor Carrier Act") reduced regulation in the trucking industry and provided the opportunity for increased competition which has resulted in generally low profit margins due to the escalation of discounts against tariffs within the HHG industry.

The international HHG relocation services market has grown due to increasing globalization of economics and the advent of free trade. International relocation services are principally offered by specialist companies that generally provide services through non-exclusive agents at the destination locations around the world. There are a few larger companies that own and operate their own businesses in major markets, although that is the exception rather than the rule. A significant number of domestic HHG carriers offer international relocation services through wholly-owned subsidiaries or separate departments that specialize in international relocation services.

#### GLOBAL NETWORK

As of June 30, 1997 and after giving pro forma effect to the LIW Acquisition, the Company operated a global network in 75 countries consisting of 654 offices in 33 countries and strategic partnerships in 42 countries with 352 locations. Within this network of over 1,000 locations, the Company maintains a strong local presence in North America, Europe and Asia/Pacific.

**NORTH AMERICA.** As of June 30, 1997 and after giving pro forma effect to the LIW Acquisition, the Company had 32 Company-owned offices located in 32 cities with



approximately 1,632 employees and had 312 agents covering an additional 404 locations in the United States. The Company developed its North American network through the acquisition and integration of Bekins in May 1996 and LEP in October 1996. The Company has successfully integrated the major road transportation and logistics services hubs of Bekins and LEP-USA in Columbus, Ohio. The Company believes that this combined system, which supports the Bekins TimeLok System and LEP-USA's Profitnet Logistics System, is one of the largest of its type in the United States. The Company expects the synergy benefits of the combined system to be (i) reduced fixed costs, (ii) better utilization of linehaul equipment between the hub and service centers, (iii) improved cycle time for Bekins customers, (iv) the ability to offer improved service schedules and time-definite service and (v) combination of the previously separate operating networks of Bekins and LEP-USA, which enable the Company to view its U.S.-domestic business as an integrated product offering. In addition, as of June 30, 1997, LEP-USA and LEP-Canada provided international freight forwarding, customs brokerage, and logistics services through 68 offices located throughout the United States, Puerto Rico and Canada. Matrix provides project cargo and HHG relocation services through five offices located in the United States.

EUROPE. LIW is a major provider of freight forwarding and transportation and logistics services throughout Europe. As of June 30, 1997, LIW employed 2,591 employees in 150 locations in 12 European countries. Through its U.K. subsidiary, LIW is one of the largest freight forwarders in the United Kingdom, with approximately 44 locations with 943 employees as of September 30, 1997. Matrix maintains international operations through eight joint venture offices in the former Soviet Union and numerous non-exclusive and unaffiliated HHG agents worldwide.

ASIA/PACIFIC. As of June 30, 1997, LIW had 46 locations in 14 countries in the Asia/Pacific region with approximately 1,800 employees. LIW is a major participant in the freight forwarding markets of Hong Kong, Singapore and the Philippines. In March 1997, LIW's Asia/Pacific operations were recognized by CARGONEWS ASIA as one of the top two multi-modal forwarders in 1996 and received a total of three Asian Freight Industry Awards which were awarded by CARGONEWS ASIA based on input from its 13,000 readers.

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#### SERVICES PROVIDED

The Company's services can be broadly classified into the following categories:

FREIGHT FORWARDING SERVICES. The Company offers domestic and international air, ocean, road and rail freight forwarding for shipments of heavy cargo that are generally larger than shipments handled by integrated carriers of primarily small parcels such as Federal Express Corporation and United Parcel Service of America. The Company's basic freight forwarding business includes the following services which are complemented by numerous value-added, customized and information technology-based options to meet customers' specific needs:

| <TABLE>  |  |
|----------|--|
| <C>      |  |
| <S>      |  |
| --       | International door-to-door shipment of freight, including service to remote destinations, lesser developed countries and locations which are difficult to reach. |
| --       | One-, two- and five-day express transport service within the United States and between the United States and Puerto Rico.  |
| --       | Value-added complementary services including customs brokerage, full tracking of goods in transit, warehousing, packing/unpacking and insurance.                 |
| </TABLE> |  |

LOGISTICS SERVICES. Logistics services involve taking responsibility for several or all steps in the supply chain of products. The Company's access to worldwide distributions systems, together with its experience in coordinating deliveries from various supply sources and its advanced information systems have enabled the Company to capitalize on outsourcing of distribution functions by manufacturers and retailers and other companies. Shippers that avail themselves of the Company's logistics services often realize financial savings due to reduced fixed costs associated with outsourcing distribution, the Company's volume discounts and information base and the Company's ability to reliably and efficiently perform complex, multi-phased distribution projects. The Company's logistics services provide value to the Company's customers by providing reliable access to low cost materials and product sources, reducing distribution times and facilitating rapid movement and integration of products and materials. For example, the Company currently provides the following logistics-based management services:

| <TABLE> |   |
|---------|---|
| <C>     |   |
| <S>     |   |
| --      | Pharmaceutical distributions including high-speed, time-definite distributions of sales samples to pharmaceutical companies' sales forces to enable their |



pharmaceutical customers to comply with United States federal regulations. The Company's distribution systems permit the Company to deliver pharmaceutical samples to over 3,000 distribution points in a 24- to 48-hour period with 2-hour delivery windows.

- Direct to store logistics for retail clients involving coordination of product receipt directly from manufacturers and dividing large shipments from the manufacturer into numerous smaller shipments for delivery directly to retail outlets or distribution centers to meet time-definite product launch dates.
- Merge-in-transit logistics involving movement of products from various vendors at multiple locations to a Company facility and the subsequent merger of the various deliveries into a single coordinated delivery to the final destinations. For example, such services are useful to technology manufacturers and resellers where major installations are organized to meet a customer's need to minimize disruptions to its clients' businesses and maximize the efficiency of the customer's technical support staff/field engineers.
- Value-added, high-speed, time-definite, total-destination programs that include packaging, transportation, unpacking and placement of a new product. The Company will also package and remove the old equipment that is being replaced by the equipment that the Company delivers.
- Packaging, transportation, unpacking and stand installation for domestic and international trade shows and major expositions.
- Global project cargo logistics for major infrastructure developments, including shipments of equipment to prepare a site for the development, materials used in construction of the project and final products manufactured following construction of the project.
- Reverse logistics involving the return of products from end users to manufacturers, retailers, resellers or remanufacturers, including verification of working order, defect analysis, serial number tracking, inventory management and disposal of sensitive materials in accordance with regulations. An example of such services is

</TABLE>

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<TABLE>

<C>

<S>

the removal of an old photocopying system for reuse, recycling or remanufacture at the time of delivery of a new photocopying system.

</TABLE>

RELOCATION SERVICES. The Company's domestic and international relocation services are generally provided through the Bekins and Matrix subsidiaries in the United States. The domestic business is generally handled by Bekins and offers a full range of relocation services within the United States focusing on the corporate account, private transferee and government/military sectors. As of June 30, 1997, Bekins operated through a network of 223 independent agents covering 283 locations. Based on 1996 revenue data filed with the STB, Bekins is the sixth largest carrier of household goods.

The Company's international relocation services are provided primarily through Matrix from its New York, Virginia and California offices. The Company's principal customers for international relocation services are U.S.-based multi-national corporations, various United States government agencies and the United Nations. The Company handles relocations from the United States to other countries, relocations from other countries to the United States and relocations between two international destinations on behalf of its customers. The Company uses a number of non-exclusive HHG agents in the countries in which it provides services.

#### OPERATIONS

As of June 30, 1997 and after giving pro forma effect to the LIW Acquisition, the Company provided transportation and logistics services in 75 countries through the following facilities:

<TABLE>

<CAPTION>

|  | NUMBER OF<br>LOCATIONS<br>----- |
|--|---------------------------------|
| <S>                                      | <C>                             |
| Company-owned offices.....               | 249                             |
| Agent-owned offices.....                 | 405                             |
| Offices owned by strategic partners..... | 352 (1)                         |
|  | -----                           |

Total..... 1,006

-----  
-----

</TABLE>

(1) Approximate number.

COMPANY LOCATIONS. Offices operated by Company employees rather than agents are generally structured as stand-alone business units that operate in largely the same manner as the independent, exclusive agents. Customers and carriers generally do not distinguish between agent locations and Company-owned locations as both must display, utilize and promote the Company's image, information technology systems and processes.

EXCLUSIVE AGENTS. The Company's contracts with its agents have terms ranging from 30 days to as much as 10 years. Short-term cancelable contracts are the exception rather than the norm, particularly for larger agents, and the majority of the Company's contracts with agents range from 3 to 5 years. Contracts with agents call for exclusive representation of the Company in respect of the services provided by the Company. Agents are required to utilize the logo, image and information systems of the Company. Each agent operates as an independent business responsible for all costs associated with sales, operations, billing and any related overhead for these items and are compensated by sharing in the revenue generated by the business handled by such agent. An agent can (i) generate sales which generally result in a sales commission or sharing of the gross profit produced and (ii) provide services on behalf of the Company such as origin, destination or other transportation services for which the agent is compensated based on a prescribed revenue distribution formula.

STRATEGIC ALLIANCE PARTNERS. Arrangements with LIW's strategic alliance partners are generally less stringent than with independent agents but generally involve exclusive representation by the strategic partner on behalf of the Company. Although strategic alliance partners are encouraged to utilize the logo and image of the Company, they are required to acknowledge that they have no rights to the Company's trademarks and use it only with the Company's permission. Strategic alliance partners are encouraged to utilize the Company's information technology systems but are not required to do so. Strategic alliance agreements are generally not for a specified period and are terminable by either party providing various periods of notice.

NON-EXCLUSIVE AGENTS. In countries where the Company does not have Company-owned operations, exclusive agents or strategic alliance partners, the Company utilizes the services of non-exclusive agents. Non-exclusive agents have no contractual commitment to the Company and do not use its name, logo or systems.

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EQUIPMENT. As of June 30, 1997 and after giving pro forma effect to the LIW Acquisition, the Company owned approximately 204 vehicles and 890 trailers and leased approximately 63 vehicles and 300 trailers. Approximately 50 vehicles and 925 trailers are located in the United States, 32 vehicles and 257 trailers are located in Europe, 47 vehicles and 8 trailers are located in Puerto Rico and 138 vehicles are located in Asia. Such equipment is used for transportation of freight by the Company and its agents.

#### INFORMATION SYSTEMS

The Company believes that its ability to provide its customers with timely access to accurate information regarding the status of cargo in transit is a point of differentiation from its competitors and is a critical factor to customer retention and expansion on a multi-modal basis of the Company's customer base and services provided to existing customers. The Company also believes that the ability to monitor all purchased transportation costs and compare them to anticipated costs on a job-by-job basis is critical to maintaining and growing margins. The Company utilizes FAST 400, a global, multi-modal, multi-currency and multi-lingual integrated freight forwarding and job costing system that provides international tracking, custom services, document preparation, document transmittal and electronic data interchange ("EDI") interfaces with customers and carriers. FAST 400 is currently installed in the majority of the Company's operations in Europe, the United States and key locations in Asia. The Company plans to install FAST 400 at its facilities worldwide. The Company's Purchase Order Management System ("POMS") provides item level tracking at the purchase order level and links multiple purchase orders to fulfill customer service requirements. POMS is currently installed in the Company's operations in Europe and the Company plans to extend use of POMS to its facilities worldwide. BUSINESS 400 is a financial system that is fully integrated with FAST 400 and is utilized in the Company's operations in parts of Europe and part of Asia and the Company plans to extend the use of BUSINESS 400 throughout Europe and Asia. The Company's Bekins operations currently utilize the BECOM System, a mainframe system that provides ground transportation, warehouse and reverse logistic information services including a nationwide asset/inventory tracking and shipment monitoring systems which feature state-of-the-art barcoding technology. The Company's Matrix operations currently utilize MATRAK. The Company's LEP-USA subsidiary utilizes FAST 400 for all

international shipments, and for its domestic business it uses a proprietary system called PACER. The Company intends to integrate the LEP PACER domestic system and the Bekins BECOM domestic logistics system into a single domestic system, based on the FAST 400 international system prior to the end of the year 2000, which will result in a single global system that processes all of the Company's business on a common platform. The Company expects to spend approximately \$30.0 million over the next three years to expand its existing FAST 400 system to all of its facilities and improve its existing information technology to ensure that the Company remains competitive with other logistics providers.

The Company believes that its information systems that integrate independent agents and select strategic alliance partners with the Company's operations are a competitive advantage and provide an incentive for the Company's independent agents and strategic alliance partners to continue to do business with the Company. The information technology systems result in increased efficiencies and reduced costs by providing direct interface between the Company, its customers, agents and strategic alliance partners.

#### MARKETING

An important part of the Company's business strategy is its approach to a single global brand and identity, its treatment of distinct customer segments and its emphasis on vertical industry know-how and logistics services. The Company's strategy of providing network-based global logistics requires that all operating units and agent-managed operations reflect the same corporate brand. The Company believes that its business and operations will be positively affected if all of its employees, suppliers, agents, partners and customers share the same perception of the Company's business strategy, products, values and culture. Accordingly, the Company is developing an integrated global brand that is expected to be introduced during the first quarter of 1998.

The Company believes that its target customer base consists of: buyers of traditional transportation services that are motivated by cost and transit-time considerations and buyers of logistics management services that are seeking operating efficiencies, increased revenues and improved customer service resulting from the end-to-end management of inventory. To enjoy the benefits of both customer segments, the Company has organized its sales and marketing efforts along two lines: global/national sales personnel and a global logistics solutions team. Global and national sales personnel focus their sales efforts on senior transportation executives, financial officers and materials managers of companies that are complex users of international transportation logistics services. The Company's goal is to provide such customers with effective transportation programs that reduce the customers' total cost of shipping goods.

Because multi-national companies increasingly require complex analysis of their logistics activities, the Company is currently organizing a Global Logistics Solutions Team to perform consulting, transportation management, inventory management and order fulfillment services that enhance the Company's traditional transportation services. The Global Logistics Solutions Team will operate as an independent division that works in partnership with global account representatives who are primarily responsible for clients, and will be responsible for the implementation of the clients' logistics solutions. The Company intends to offer global

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solutions programs on a three to five year contractual basis and may feature incentive pricing based on performance, resulting in increased margins when the Company's performance exceeds client expectations.

The Company has determined that its customers are increasingly seeking logistics answers and services tailored to specific industries. Accordingly, the Company believes that service providers that organize sales, marketing and product development along industry lines will have a competitive advantage over providers that address the transportation and logistics needs of all industries similarly. The Company is organizing product development and marketing groups for life sciences (health care and pharmaceuticals), office technology, medical equipment and products, aviation and defense and retail. The Company believes that if it achieves recognition as an industry-based expert in logistics, it will develop longer-lasting client relationships with customers in targeted industries and secure higher-margin business from such customers.

#### COMPETITION AND BUSINESS CONDITIONS

The Company's principal businesses are directly impacted by the volume of domestic and international trade. The volume of such trade is influenced by many factors, including economic and political conditions in the United States and abroad, major work stoppages, exchange controls, currency fluctuations, war and other armed conflicts, and United States and international laws relating to tariffs, trade restrictions, foreign investments and taxation.

The global logistics services and transportation services industries are intensively competitive and are expected to remain so for the foreseeable future. The Company competes against other integrated logistics companies, as

well as transportation services companies, consultants and information technology vendors. The Company also competes against carriers' internal sales forces and shippers' transportation departments. This competition is based primarily on freight rates, quality of service (such as damage free shipments, on-time delivery and consistent transit times), reliable pickup and delivery and scope of operations.

The Company also competes with transportation services companies for the services of independent agents, and with trucklines for the services of independent contractors and drivers. The Company encounters competition from a large number of firms with respect to the services provided by the Company. Much of this competition comes from local or regional firms which have only one or a small number of offices and do not offer the breadth of services and integrated approach offered by the Company. However, some of this competition comes from major United States and foreign-owned firms which have networks of offices and offer a wide variety of services. The Company believes that quality of service, including information systems capability, global network capacity, reliability, responsiveness, expertise and convenience, scope of operations, customized program design and implementation and price are important competitive factors in its industry.

Competition within the domestic freight forwarding industry is intense. Although the industry is highly fragmented, with a large number of participants, the Company competes most often with a relatively small number of freight forwarders with nationwide networks and the capability to provide the breadth of services offered by the Company and with fully integrated carriers focusing on heavy cargo, including Burlington Air Express, Inc., Eagle USA Freight Inc. and Emery Air Freight Corp. The Company also encounters competition from passenger and cargo air carriers, trucking companies and others. As the Company expands its international operations, it expects to encounter increased competition from those freight forwarders that have a predominantly international focus, including Air Express International Corporation, Expeditors International of Washington, Inc., Fritz Companies Inc. and Circle International Group. Many of the Company's competitors have substantially greater financial resources than the Company.

The Company also encounters competition from regional and local air freight forwarders, cargo sales agents and brokers, surface freight forwarders and carriers and associations of shippers organized for the purpose of consolidating their members' shipments to obtain lower freight rates from carriers. As an ocean freight forwarder, the Company encounters strong competition in every port in which it operates. This includes competition from steamship companies and both large forwarders with multiple offices and local and regional forwarders with one or a small number of offices. As an air freight forwarder, the Company encounters strong competition from other air freight forwarders in the United States and overseas. The Company believes that quality of service, including reliability, responsiveness, expertise and convenience, scope of operations, information technology and price are the most important competitive factors in its industry.

Competition for the domestic interstate transportation of household goods is intense and long-term relationships with corporate accounts are difficult to obtain and retain. In the HHG market, the Company encounters competition from larger van lines such as North American Van Lines Inc., Allied Van Lines Inc., Atlas Van Lines, Inc. and UniGroup, Inc. (United Van Lines, Inc. and Mayflower Transit, Inc.). Based on revenue data filed with the STB, Bekins has been the sixth largest HHG carrier in the United States for more than a decade. According to reports filed with STB, 1996 operating revenues aggregated approximately \$3.2 billion for the 15 largest HHG carriers, of which approximately 79.0% was accounted for by the six largest carriers and approximately 6.0% was accounted for by the Company. The Motor Carrier Act reduced regulation in the trucking industry, and

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provided the opportunity for increased competition, which resulted in generally lower profit margins within the domestic HHG relocation industry. The international relocations services industry is competitive and much more highly fragmented than the domestic HHG business. Matrix competes with a large number of specialized competitors although the Company believes that Matrix differentiates its service offerings from many of its competitors by focusing on "high-end" executive relocation services for leading multinational companies and organizations.

#### REGULATION

The Company's domestic air freight forwarding business is subject to regulation, as an indirect air cargo carrier, under the Federal Aviation Act by the DOT, the successor to the Civil Aeronautics Board, although Part 296 of the DOT's Economic Aviation Regulations exempts air freight forwarders from most of such act's requirements. The Company's foreign air freight forwarding operations are subject to similar regulation by the regulatory authorities of the respective foreign jurisdictions. The air freight forwarding industry is subject to regulatory and legislative changes which can affect the economics of the industry by requiring changes in operating practices or influencing the demand

for, and the costs of providing, services to customers. In its ocean freight forwarding business, the Company is licensed as an ocean freight forwarder by the Federal Maritime Commission ("FMC"). The FMC does not currently regulate the level of Company's fees in any material respect. The Company's ocean freight NVOCC business is subject to regulation, as an NVOCC under the FMC tariff filing and surety bond requirements, and under the Shipping Act of 1984, particularly those terms proscribing rebating practices.

In the United States, the Company is subject to federal, state and local provisions relating to the discharge of materials into the environment or otherwise for the protection of the environment. Similar laws apply in many foreign jurisdictions in which the Company presently operates or may operate in the future. Although the Company's current operations have not been significantly affected by compliance with these environmental laws, governments are becoming increasingly sensitive to environmental issues, and the Company cannot predict what impact future environmental regulations may have on its business. The Company does not anticipate making any material capital expenditures for environmental control purposes during the remainder of the current or succeeding fiscal years.

Certain federal officials are considering implementing increased security measures with respect to air cargo. There can be no assurance as to what, if any, regulations will be adopted or, if adopted, as to their ultimate effect on the Company. The Company does not believe that costs of regulatory compliance have had a material adverse impact on its operations to date. However, failure of the Company to comply with the applicable regulations or to maintain required permits or licenses could result in substantial fines or revocation of the Company's operating permits or authorities. There can be no assurance as to the degree or cost of future regulations on the Company's business.

As a customs broker operating in the United States, the Company is licensed by the United States Department of the Treasury and regulated by the United States Customs Service. The Company's fees for acting as a customs broker are not currently regulated.

The Company's local pick-up and delivery operations are subject to various state and local regulations and, in many instances, require registrations with state authorities. In addition, certain of the Company's local pick-up and delivery operations are regulated by the STB. Federal authorities have broad power to regulate the delivery of certain types of shipments and operations within certain geographic areas, and the STB has the power to regulate motor carrier operations, approve certain rates, charges and accounting systems and require periodic financial reporting. Interstate motor carrier operations are also subject to safety requirements prescribed by the DOT. In some potential locations for the Company's delivery operations, state and local registrations may be difficult to obtain.

The Company is regulated as a motor carrier of property by the Federal Highway Administration of Motor Carriers, previously the ICC, by which the Company is registered as both a common carrier, freight forwarder and a property broker. For dispatch purposes, the Company also holds Federal Communications Commission radio licenses. Certain of the Company's offshore operations are subject to similar regulation by the regulatory authorities of the respective foreign jurisdictions. Certain of the Company's warehouse operations are licensed as container freight stations, public bonded warehouses and customs examination sites by the United States and other sovereign countries' customs services.

Traditionally, HHG pricing had been based upon tariffs accepted by the ICC for each class of goods hauled by an interstate carrier. These tariffs are generally based upon the weight of the shipment, distance traveled, type of goods transported and points of origin and destination. Most HHG moves are now priced significantly below tariffs through individual discount programs, binding estimates negotiated between the carrier and individual residential customers or on the basis of a contract between the carrier and a corporate customer. HHG carriers participate in rate bureaus through which competitors jointly establish and publish tariffs and rates. The Company is currently a member of the Household Goods Carrier Bureau, which is comprised of approximately

2,000 other common carriers of household goods, including the ten largest carriers in the industry. The Motor Carrier Act permits certain collective ratemaking activities through rate bureaus by exempting such ratemaking from the antitrust laws. Management believes prices in the industry are determined by market forces.

The Company operates nationwide as an interstate common carrier through its subsidiary, Bekins, that holds Certificates of Public Convenience and Necessity that were granted by the ICC. These certificates authorize Bekins to transport various classes of goods and products. The Company's subsidiaries also operate as contract carriers, pursuant to contract authority granted by the STB. The Company is required to comply with STB regulations. In addition, the DOT regulates the hours of service of the Company's drivers and other safety related aspects of operations.

The Company is also subject to similar and other laws in the foreign jurisdictions in which it operates. Numerous jurisdictions in Asia prohibit or restrict United States ownership of local logistics operations, and although the Company believes its ownership structure in Asia conforms to such laws, the matter is often subject to considerable regulatory discretion and there can be no assurance local authorities would agree with the Company.

A failure by the Company to comply with the foregoing laws, rules and regulations could subject it to suspension or revocation of its operating authority or civil or criminal liabilities, or any combination of such penalties or both. In addition, the Company-owned service centers hold intrastate operating authority which subjects them to the jurisdiction of various state regulatory commissions. See "Risk Factors--Government Regulation."

From time to time, U.S. tax authorities have sought to assert that owner-operators in the trucking industry are employees, rather than independent contractors. No such claim has been successfully made with respect to owner-operators serving the Company, and management is confident the owner-operators of the Company could not be properly characterized as employees of the Company under existing interpretations of federal and state tax law. However, there can be no assurance that tax authorities will not successfully challenge this position, or that such interpretations will not change, or that the tax laws will not change. See "Risk Factors--Characteristics of the Logistics Industry; Seasonality."

TRADEMARKS

The Company has registered trademarks on a number of variations of the Bekins name and corporate logo in the United States. Depending on the jurisdiction of registration, trademarks are generally protected for ten to twenty years (if they are in continuous use during that period) and are renewable. These trademarks are material to the Company in the marketing of its services because of the high name recognition possessed by Bekins in the transportation services industry. In connection with the acquisitions by the Company, LEP-USA and LEP-Canada entered into certain Trademark License Agreements whereby they obtained the non-exclusive right to use LEP trademarks in their North American operations for a period of at least ten years. With the recent acquisition of LIW, the Company obtained ownership of the LEP trademarks with numerous variations and in the vast majority of countries in which LEP operates. See "Recent Acquisitions."

EMPLOYEES

As of June 30, 1997, the Company and its subsidiaries had 6,352 employees, excluding employees of agents and strategic alliance partners. Management believes that it has good relationships with its employees. In the United States, a total of 175 employees at five LEP-USA locations are members of collective bargaining units affiliated with the teamsters, out of a total of approximately 1,632 employees in the United States as of September 30, 1997. Two of the five collective bargaining contracts expired on August 31, 1997 but have been extended through February 28, 1998. The Company is currently renegotiating the terms of these two contracts and hopes to reach a settlement with the unions on the remaining issues. The Company believes that any action resulting from a failure to reach a settlement with the unions is unlikely to have a material adverse effect on the Company; however, there can be no assurance that the Company's operations would not be materially adversely affected if the Company is unable to reach such a settlement.

PROPERTIES

The properties used in the Company's operations consist principally of freight forwarding offices and warehouse and distribution facilities. As of June 30, 1997 and after giving pro forma effect to the LIW Acquisition, the Company had 130 office facilities, 11 of which were owned and 119 of which were leased, and 171 warehouse facilities, 27 of which were owned and 144 of which were leased, constituting, in the aggregate, approximately 624,714 square feet of office space and 4.2 million square feet of warehouse space in 33 countries. The Company is headquartered in Hillside, Illinois at an approximately 99,000 square foot facility leased through May 2005. The Company operates a major distribution center in Columbus, Ohio which serves as the

national cross-docking facility for Bekins TimeLok and LEP-USA Logistics where the Company sorts freight originating from across the United States.

The following table sets forth certain information relating to the Company's domestic and foreign properties as of June 30, 1997 and after giving pro forma effect to the LIW Acquisition.

<TABLE>  
<CAPTION>

NUMBER OF FACILITIES

-----

| <S>               | <C>   |        | <C>   |
|-------------------|-------|--------|-------|
|                   | OWNED | LEASED | TOTAL |
|                   | ----- | -----  | ----  |
| U.S.....          | --    | 49     | 49    |
| Canada.....       | 1     | 12     | 13    |
| Asia/Pacific..... | 5     | 56     | 61    |
| Europe.....       | 32    | 146    | 178   |
|                   | --    | ---    | ---   |
| Total.....        | 38    | 263    | 301   |
|                   | --    | ---    | ---   |
|                   | --    | ---    | ---   |

</TABLE>

The Company believes that its office and warehouse facilities are generally well-maintained, are suitable to support the Company's business and are adequate for the Company's present needs.

#### OWNERSHIP OF LIW SUBSIDIARIES

Certain countries in which LIW operates have regulations limiting foreign ownership of freight forwarders. To comply with such regulations, the Company has established trust or nominee relationships in certain countries, including Malaysia, Philippines, Taiwan and Thailand. As a result of such arrangements, the Company has legal ownership of only 30%, 30%, 33% and 49% of the LIW operations in Malaysia, Philippines, Taiwan and Thailand, respectively. The Company reports such subsidiaries as consolidated for financial reporting purposes. See "Selected Consolidated Financial Data of LIW."

Certain LIW subsidiaries, including the principal Hong Kong subsidiary, have minority shareholders who have rights to participate in the profits and cash flows of such subsidiaries and who have rights which limit LIW's ability to take certain actions without the consent of the minority holder. For certain subsidiaries, such events include changes in the capital structure, changes in allocation of net profits, liquidation, merger, disposal of a material part of the assets, capital expenditures and contracts with related parties.

LIW currently owns 50.0% of the outstanding shares, and has entered into an agreement to purchase the remaining 50.0% of the outstanding shares, of its Italian partner. The purchase agreement requires the Company to pay installments aggregating approximately L593,000 (approximately \$960,000) plus an amount equal to 24.0% of the proceeds derived from the sale of certain assets specified in the purchase agreement and sold during the term of the agreement. Payment of the final installment is due and payable on or before July 31, 1999. Upon payment of the fifth installment on or before July 31, 1998, the holder of the other 50.0% of the outstanding shares must transfer to LIW a number of shares equal to the proportion of the consideration paid, but will retain a security interest in such shares to guarantee the remaining payments. Until completion of the sale, most significant business decisions require the unanimous written consent of all shareholders. Since 1996, LIW has committed additional funds for the purpose of supporting the Italian operations and in return for such commitment, LIW has been allowed broad authority to manage the day-to-day operations and finances of such subsidiary.

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#### LITIGATION

LIW is currently contesting a claim made by Danish Customs and Excise for payment of customs duties and excise taxes of approximately L2.9 million (\$4.7 million) related to alleged irregularities in connection with a number of shipments of freight out of Denmark. Additionally, LIW is subject to a challenge by German tax authorities relating to approximately L2.0 million (\$3.2 million) of alleged liabilities relating to the status of LIW's historical tax filings. LIW has other tax disputes which, in the aggregate, involve amounts of L6.7 million (\$10.9 million). The Company believes it has a number of defenses to the alleged tax liabilities and it intends to defend the tax claims vigorously. LIW has not recorded any reserves for the Danish customs matters but believes it has established adequate reserves for the remaining total alleged tax liabilities. Any adverse decision relating to such tax claims could materially adversely affect the Company's liquidity and capital resources.

The Company and its subsidiaries are also defendants in legal proceedings arising in the ordinary course of business and are subject to certain claims. Although the outcome of the proceedings cannot be determined, it is the opinion of management, that the resolution of these matters will not have a material adverse effect on the Company.

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## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the directors, executive officers and certain key management personnel of the Company and certain of its subsidiaries as of November 30, 1997. Members of the Board of Directors are elected annually and hold office from the time of their election and qualification until the annual meeting of stockholders at which their term expires or their successor is elected and qualified or until their earlier resignation or removal. Executive officers are elected by and serve at the discretion of the Board of Directors until their successors are duly chosen and qualified.

&lt;TABLE&gt;

&lt;CAPTION&gt;

| NAME                            | AGE | POSITION  |
|---------------------------------|-----|---|
| <S>                             | <C> | <C>   |
| Roger E. Payton(1).....         | 41  | President, Chief Executive Officer and Director |
| Gary S. Holter.....             | 43  | Chief Financial Officer                         |
| Luis F. Solis.....              | 39  | Executive Vice President of Strategic Marketing |
| Larry Tieman.....               | 49  | Chief Information Officer                       |
| Ronald Jackson.....             | 45  | Vice President and General Counsel              |
| Terry G. Clarke.....            | 43  | Vice President and Treasurer                    |
| Kenneth R. Batko.....           | 47  | Vice President -- Corporate Controller          |
| William E. Simon, Jr.(2).....   | 46  | Chairman of the Board                           |
| Vincent J. Cebula(1)(2)(3)..... | 33  | Director  |
| Richard J. Goldstein(2).....    | 32  | Director  |
| Stephen A. Kaplan(2).....       | 39  | Director  |
| Michael B. Lenard(1)(2).....    | 42  | Director  |
| Conor T. Mullett(2)(3).....     | 31  | Director  |
| William E. Myers, Jr.....       | 37  | Director  |

&lt;/TABLE&gt;

(1) Member of Executive Committee of the Board of Directors.

(2) Pursuant to the Stockholders Agreement, Logistical Simon has the right to designate three members to the Board of Directors, the Opportunities Fund has the right to designate two members of the Board of Directors and the Principal Fund has the right to designate one member of the Board of Directors. Messrs. Simon, Lenard and Mullett are designees of Logistical Simon, Messrs. Cebula and Goldstein are designees of the Opportunities Fund and Mr. Kaplan is the designee of the Principal Fund.

(3) Member of Audit Committee and Compensation Committee of the Board of Directors.

ROGER E. PAYTON has been a director of the Company and the President and Chief Executive Officer of the Company since May 1996. From 1982 to 1995 Mr. Payton was the Chief Executive Officer of the following subsidiaries of NFC plc, a logistics company: (i) Pickfords Industrial Ltd. (1982 to 1984), a U.K.-based industrial and manufacturing services company providing transport, shipping, installation and electrical and mechanical services, (ii) Merchants Home Delivery Services Inc. (1985 to 1987 and 1991 to 1995), a U.S.-based delivery and logistics services company providing logistics-related services to United States and Canadian home furnishing retailers and manufacturers, and (iii) Allied Van Lines Inc. (1988 to 1990), a U.S.-based van line offering relocation services, high value product logistics services, international shipping and freight forwarding services and insurance products to a wide array of industries and consumers.

GARY S. HOLTER has been Chief Financial Officer of the Company since January 1997. From February 1995 through December 1996, he was Executive Vice President and Chief Financial Officer of Bekins. From 1989 to 1995, Mr. Holter served as Executive Vice President and Chief Operating Officer of Knapp Shoes, Inc., a manufacturing and distribution company. From 1986 to 1988, Mr. Holter was the Executive Vice President of Finance at Simmons Airlines, a publicly held regional transportation carrier. Mr. Holter is a certified public accountant.

LUIS F. SOLIS has been the Executive Vice President of Strategic Marketing of the Company since March 1997. From May 1996 to February 1997, Mr. Solis was Vice President of Business Development of GE Capital Logistics, a logistics services venture of GE Capital Corporation. Prior to joining GE, Mr. Solis served as Vice President of Strategic Marketing, Global Strategies for Skyway Freight Systems, a third-party logistics subsidiary of Union Pacific Corporation, from 1994 to 1996. Mr. Solis served as Vice President of Global Marketing for Circle International, a global freight forwarder, from 1991 to 1994.

LARRY TIEMAN has been Chief Information Officer of the Company since March 1997. He was Chief Information Officer for GE Capital Logistics from May 1996 to February 1997. Prior thereto, Mr. Tieman was Senior Vice President and Chief Information

Officer for Schneider National Incorporated, a logistics company, from October 1993 to May 1996, and the Chief Technology Officer of the Nielson division of Dunn & Bradstreet, a market research company, from 1990 to 1993.

RONALD JACKSON has been Vice President and General Counsel of the Company since September 1997. Mr. Jackson was Legal Director and Secretary of LIW from January 1996 to September 1997 and was Group Legal Advisor for LEP Group plc from October 1989 to December 1995.

TERRY G. CLARKE has been Vice President and Treasurer of the Company since September 1997. From October 1995 to November 1996, Mr. Clarke was Assistant Treasurer with the M.A. Hanna Company, a Cleveland based chemicals company. Prior to that, Mr. Clarke served as Director of Planning and Control of B.F. Goodrich's ("Goodrich") Water Systems Group, was Director, Finance and Banking for Goodrich and held various other management positions in the United States and Canada for Goodrich from 1988 to 1995.

KENNETH R. BATKO has been Vice President-Corporate Controller since November 1997. From 1994 to 1997, Mr. Batko was Assistant Controller with Anixter International Inc., a leading supplier of wiring systems and networking products. From 1982 to 1993, Mr. Batko was the Director of Financial Reporting for Anixter Inc., a subsidiary of Anixter International. Prior to that Mr. Batko was a Manager with Ernst & Young from 1974 to 1982. Mr. Batko is a certified public accountant.

WILLIAM E. SIMON, JR. has been the Chairman of the Board of Directors of the Company since May 1996. Mr. Simon has been the Executive Director of WESS since 1988. In addition, Mr. Simon is a director of William E. Simon & Sons (Asia), LDC, WESS's affiliate merchant bank based in Hong Kong. Mr. Simon also serves on the boards of directors of Hanover Compressor Co. and various private companies.

VINCENT J. CEBULA has been a director of the Company since May 1996 and is a member of the Audit Committee and the Compensation Committee. He is also a Managing Director of Oaktree, where he has worked since 1995. Pursuant to a subadvisory agreement with TCW Asset Management Company ("TCW"), the general partner of the Principal Fund, Oaktree provides investment management services to the Principal Fund. Mr. Cebula was a Senior Vice President of Trust Company of the West and TCW from 1994 to 1995. Prior thereto, Mr. Cebula was Executive Assistant to the Vice Chairman of Brooke Group Ltd. where he was responsible for the coordination of financing and investment banking activities. Mr. Cebula also serves on the boards of directors of Decorative Home Accents, Inc. and various private companies.

RICHARD J. GOLDSTEIN has been a director of the Company since May 1996 and is a Senior Vice President of Oaktree where he has worked since 1995. Mr. Goldstein was an Assistant Vice President of Trust Company of the West and TCW from 1994 to 1995. Prior thereto, Mr. Goldstein was an Associate in the Corporate Finance Department of Jefferies & Company, Inc. Mr. Goldstein also serves on the boards of directors of Decorative Home Accents, Inc. and various private companies.

STEPHEN A. KAPLAN has been a director of the Company since May 1996 and is a principal of Oaktree. Prior to joining Oaktree in June 1995, Mr. Kaplan was a Managing Director of Trust Company of the West and TCW. Prior to joining TCW in 1993, Mr. Kaplan was a partner in the law firm of Gibson, Dunn & Crutcher. Mr. Kaplan serves on the boards of directors of Acorn Products, Inc., Chief Auto Parts Inc., Decorative Home Accents, Inc., KinderCare Learning Centers, Inc., Roller Bearing Holding Company, Inc. and various private companies.

MICHAEL B. LENARD has been a director of the Company since April 1996 and is a Managing Director and the Counsellor of WESS. In addition, Mr. Lenard is a director of William E. Simon & Sons (Asia), LDC, WESS affiliate merchant bank based in Hong Kong, and the President of WESSHIP, Inc., the general partner of certain WESS affiliated limited partnerships that have invested in the shipping industry. Prior to joining WESS in early 1993, Mr. Lenard was a partner in the international law firm of Latham & Watkins. Mr. Lenard is also a director of various private companies.

CONOR T. MULLETT has been a director of the Company since May 1996 and is a Vice President of WESS. From 1994 to 1996 Mr. Mullett was an Associate at WESS and from 1993 to 1994 Mr. Mullett was an Associate at GE Capital Corporation. Mr. Mullett is also a director of various private companies.

WILLIAM E. MYERS, JR. has been a director of the Company since May 1996 and, for more than five years, has been Chairman of the Board and Chief Executive Officer of W.E. Myers & Co., a private merchant bank. Mr. Myers is also a director of Aftermarket Technology Corp. and Roller Bearing Holding Company, Inc.

# COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Executive Committee (the "Executive Committee"). The Executive Committee is composed of Messrs. Cebula, Payton and Lenard. Pursuant to the terms of the Stockholders Agreement, the Executive Committee is authorized to take any action on behalf of the Board of Directors in between meetings of the Board of Directors upon the unanimous approval of the Executive Committee. In addition, the bylaws of the Company provide for an audit committee (the "Audit Committee") which is responsible for reviewing the scope of the Company's independent auditors' examination of the Company's financial statements and reviewing their reports, and a compensation committee (the "Compensation Committee"), which is responsible for determining the Company's policies with respect to the nature and amount of all compensation to be paid to the Company's executives and administering the Company's benefit plans. The Audit Committee and Compensation Committee are to consist of two members, one of whom shall be designated by the Oaktree Entities and one of whom shall be designated by Logistical Simon.

## COMPENSATION OF DIRECTORS

Non-employee directors are not currently compensated for their services, but receive reimbursement of reasonable out-of-pocket expenses incurred in connection with board meetings or director-related activities. The Stockholders Agreement does, however, provide that certain members of the Board of Directors will be entitled to receive compensation if directors who are employees of the Company or directors who were admitted after November 7, 1996 receive additional compensation in their capacity as directors.

## EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE. The Summary Compensation Table below sets forth the annual base salary and other annual compensation which the Company paid during the year ended December 31, 1996 to the Company's Chief Executive Officer and other executive officers of the Company whose cash salary and bonus compensation exceeded \$100,000 (the "Named Executive Officers").

<TABLE>

<CAPTION>

| NAME AND PRINCIPAL POSITION                          | ANNUAL COMPENSATION |             |          |                              | LONG TERM COMPENSATION             |                        |
|--|---------------------|-------------|----------|------------------------------|------------------------------------|------------------------|
|  | FISCAL YEAR         | SALARY \$   | BONUS \$ | OTHER ANNUAL COMPENSATION \$ | SECURITIES UNDERLYING OPTIONS/SARS | ALL OTHER COMPENSATION |
|  |                     |             |          |                              | \$                                 | \$                     |
| <S>  | <C>                 | <C>         | <C>      | <C>                          | <C>                                | <C>                    |
| Roger E. Payton.....                                 |                     |             |          |                              |                                    |                        |
| Director, President and Chief Executive Officer..... | 1996                | 165,416 (1) | 75,000   | --                           | 175,000                            | 19,432 (3)             |
| Gary S. Holter.....                                  |                     |             |          |                              |                                    |                        |
| Chief Financial Officer.....                         | 1996                | 160,000 (2) | 100,000  | --                           | --                                 | 12,219 (4)             |

</TABLE>

(1) Mr. Payton began his employment with the Company in May 1996.

(2) Mr. Holter was Executive Vice President and Chief Financial Officer of Bekins during 1996.

(3) Mr. Payton received an automobile allowance of \$6,500 in 1996. Additionally, in 1996 the Company paid \$4,965 in premiums for a life insurance policy for Mr. Payton and contributed \$7,967 as a matching payment to the account established for Mr. Payton's benefit pursuant to the Deferred Plan (as defined).

(4) Mr. Holter received an automobile allowance of \$6,600 in 1996. Additionally, in 1996 the Company paid \$537 in premiums for a life insurance policy for Mr. Holter and contributed \$2,063 and \$3,019 as matching payments to accounts established for Mr. Holter's benefit pursuant to the Deferred Plan and the Company's 401(k) plan, respectively.

WARRANT GRANTS IN 1996. The following table contains information concerning the grant of warrants made during the year ended December 31, 1996 to the Named Executive Officers. The table also lists potential realizable value of such warrants on the basis

of assumed annual compounded stock appreciation rights of 5% and 10% over the life of the warrants, which is set for a maximum of seven years.

<TABLE>

<CAPTION>

| NAME                 | INDIVIDUAL GRANTS  |  | POTENTIAL REALIZABLE                 |                    | ANNUAL RATES OF STOCK  |            |
|----------------------|--|--|--------------------------------------|--------------------|------------------------|------------|
|                      | NUMBER OF<br>SECURITIES<br>UNDERLYING<br>WARRANTS<br>GRANTED (#) | PERCENT OF TOTAL<br>WARRANTS GRANTED TO<br>EMPLOYEES IN<br>FISCAL YEAR | EXERCISE OF<br>BASE PRICE<br>(\$/SH) | EXPIRATION<br>DATE | PRICE APPRECIATION FOR |            |
|                      |  |  |                                      |                    | WARRANT TERM           |            |
|                      |  |  |                                      |                    | 5% (\$)                | 10% (\$)   |
| <S>                  | <C>  | <C>  | <C>                                  | <C>                | <C>                    | <C>        |
| Roger E. Payton..... | 62,500   | 35.7%  | \$ 25.00                             | 5/2/03             | \$ 196,376             | \$ 873,396 |
| .....                | 62,500   | 35.7%  | 28.00                                | 5/2/03             | 8,876                  | 685,896    |
| .....                | 25,000   | 14.3%  | 36.00                                | 5/2/03             | 155,325                | 561,538    |
| .....                | 25,000   | 14.3%  | 39.00                                | 5/2/03             | 80,325                 | 486,538    |

NEW EXECUTIVE OFFICERS AND WARRANTS GRANTED IN 1997. Luis F. Solis and Larry Tieman began employment with the Company in March 1997 as the Company's Executive Vice President of Strategic Marketing and Chief Information Officer, respectively. Ronald Jackson (together with Messrs. Solis and Tieman, the "New Executive Officers") began employment with the Company in September 1997 as the Company's Vice President and General Counsel. The Company has agreed to pay each of Mr. Solis and Mr. Tieman \$250,000 per year, and has agreed to pay Mr. Jackson \$170,000 per year. In addition, in March 1997 the Company granted each of Mr. Solis and Mr. Tieman warrants to purchase an aggregate of 37,500 shares of Common Stock. The warrants vest in three equal installments in March 1998, 1999 and 2000, which installments are exercisable at a price equal to \$52 per share, \$55 per share and \$60 per share, respectively. In March 1997, the Company granted Gary S. Holter warrants to purchase an aggregate of 37,500 shares of Common Stock, which vest in three equal annual installments in March 1998, 1999 and 2000 at prices ranging from \$48 and \$60 per share. In September 1997, the Company granted Mr. Jackson warrants to purchase an aggregate of 8,000 shares of Common Stock, which vest in three equal annual installments in September 1998, 1999 and 2000, respectively, at an exercise price equal to \$52 per share, \$55 per share and \$60 per share, respectively.

#### EMPLOYMENT AGREEMENTS

Mr. Payton entered into an employment agreement with the Company effective as of April 30, 1996 which terminates on April 30, 2000 (the "Payton Agreement"). The Payton Agreement provides for a base salary of not less than \$315,000, with annual increases and bonuses at the discretion of the Board of Directors. In November 1996, Mr. Payton's base salary was increased to \$365,000 per year. The Payton Agreement also provides for the payment by the Company of the premium on one of Mr. Payton's personal life insurance policies and an automobile allowance in the amount of \$12,000 per year. The Payton Agreement may be terminated by the Company for "cause" (as defined in the Payton Agreement) or upon the death or, under certain circumstances, disability of Mr. Payton. In the event that the Company terminates the Payton Agreement without cause or if a constructive discharge has occurred, Mr. Payton is entitled to receive his salary for the lesser of a period of two years from the date of termination or the remaining term under the Payton Agreement, but in no event less than one year's salary. During the term of the Payton Agreement and any period during which Mr. Payton receives severance pay, Mr. Payton is prohibited from competing with the Company and is precluded from engaging in any form of solicitation of the Company's customers or employees. If the Payton Agreement has not been renewed on or before the expiration date and Mr. Payton's employment with the Company terminates pursuant to the terms of the employment agreement on the expiration date, Mr. Payton is entitled to receive his salary for a period of one year from the expiration date.

Mr. Holter entered into an employment agreement with the Company effective as of March 1, 1997 which terminates on March 1, 2000 (the "Holter Agreement"). The Holter Agreement provides for a base salary of not less than \$200,000 per year and provides that Mr. Holter may receive performance-based cash bonus compensation and performance-based equity compensation if certain financial and other defined management objectives are satisfied. In October 1997, Mr. Holter's base salary was increased to \$250,000 per year. If the equity incentive objectives are not fully achieved for any fiscal year, the equity compensation may still be granted at the discretion of the Board. The Holter Agreement also provides for an automobile allowance of \$12,000 per year. The Holter Agreement may be terminated by the Company for "cause" (as defined in the Holter Agreement) or upon the death or, under certain circumstances, the disability of Mr. Holter. The employment agreement provides for constructive discharge if there has been a substantial diminution in Mr. Holter's duties and responsibilities as directed by the Board since the date of the Holter Agreement. In the event that the Company terminates the Holter Agreement without cause or if there has been a constructive

discharge, Mr. Holter is entitled to receive his salary for a period of one year from the date of termination and a proportionate share of the cash bonus compensation due to him for the fiscal year in which the date of termination has occurred. During the term of the Holter Agreement and for one year thereafter, Mr. Holter is prohibited from competing with the Company and is precluded from

engaging in any form of solicitation of the Company's customers or employees.

Mr. Tieman entered into an employment agreement with the Company effective as of March 3, 1997 which terminates on March 3, 2000 (the "Tieman Agreement"). The Tieman Agreement provides for a base salary of not less than \$250,000 per year and provides that Mr. Tieman may receive performance-based cash bonus compensation and performance-based equity compensation if certain financial and other defined management objectives are satisfied. If the equity incentive objectives are not fully achieved for any fiscal year, the equity compensation may still be granted at the discretion of the Board. The Tieman Agreement also provides for an automobile allowance of \$12,000 per year. The Tieman Agreement may be terminated by the Company for "cause" (as defined in the Tieman Agreement) or upon the death or, under certain circumstances, the disability of Mr. Tieman. The employment agreement provides for constructive discharge if there has been a substantial diminution in Mr. Tieman's duties and responsibilities as directed by the Board since the date of the Tieman Agreement. In the event that the Company terminates the Tieman Agreement without cause or if there has been a constructive discharge, Mr. Tieman is entitled to receive his salary for a period of one year from the termination date and a proportionate share of the cash bonus compensation due to him for the fiscal year in which the date of termination has occurred. During the term of the Tieman Agreement and for one year thereafter, Mr. Tieman is prohibited from competing with the Company and is precluded from engaging in any form of solicitation of the Company's customers or employees.

Mr. Solis entered into an employment agreement with the Company effective as of March 3, 1997 which terminates on March 3, 2000 (the "Solis Agreement"). The Solis Agreement provides for a base salary of not less than \$250,000 per year and provides that Mr. Solis may receive performance-based cash bonus compensation and performance-based equity compensation if certain financial and other defined management objectives are satisfied. If the equity incentive objectives are not fully achieved for any fiscal year, the equity compensation may still be granted at the discretion of the Board. The Solis Agreement also provides for an automobile allowance of \$12,000 per year. The Solis Agreement may be terminated by the Company for "cause" (as defined in the Solis Agreement) or upon the death or, under certain circumstances, disability of Mr. Solis. The Solis Agreement provides for constructive discharge if there has been a substantial diminution in Mr. Solis's duties and responsibilities as directed by the Board since the date of the employment agreement. In the event that the Company terminates the Solis Agreement without cause or if there has been a constructive discharge, Mr. Solis is entitled to receive his salary through March 3, 2000 and a proportionate share of the cash bonus compensation due to him for the fiscal year in which the date of termination has occurred. During the term of the Solis Agreement and for one year thereafter, Mr. Solis is prohibited from competing with the Company and is precluded from engaging in any form of solicitation of the Company's customers or employees.

Mr. Jackson entered into a five-year employment agreement with the Company effective upon the occurrence of each of (i) the acquisition by the Company of a majority of the outstanding ordinary shares of LIW stock (including all interest exchangeable therefor or convertible thereto) and (ii) the delivery to the Company of all warrants to purchase LIW ordinary shares and other equity interests of LIW held by Mr. Jackson (the "Jackson Agreement"). The Jackson Agreement provides for a base salary of not less than \$170,000 per year and provides that Mr. Jackson may receive performance-based cash compensation if certain financial and other defined management objections are achieved. The Jackson Agreement also provides for an automobile allowance of \$12,000 per year. The Jackson Agreement may be terminated by the Company for "cause" (as defined in the Jackson Agreement) or upon the death or, under certain circumstances, disability of Mr. Jackson. In the event that the Company terminates the Jackson Agreement without cause, Mr. Jackson is entitled to receive his salary for a period of one year from the termination date. During the term of the Jackson Agreement and for one year thereafter, Mr. Jackson is prohibited from competing with the Company and is precluded from engaging in any form of solicitation of the Company's customers or employees. Prior to Mr. Jackson's relocation to the United States it is expected that he will remain an employee of LIW at his current salary and benefits.

The Company has agreements with certain other significant employees. See "Recent Acquisitions."

#### INCENTIVE COMPENSATION PLANS

EMPLOYEE STOCK PURCHASE PLAN. The Company's Employee Stock Purchase Plans (the "Purchase Plans") provided certain employees of the Company with the right to purchase any or all of such employee's allocated portion, as determined by the Board of Directors of the Company, of an aggregate of 8,500 shares of Common Stock of the Company at a purchase price of \$20.00 per share and 75,000 shares of Common Stock at a purchase price of \$30.00 per share. The right to acquire shares of Common Stock under the Purchase Plans has terminated. A total of 33 employees purchased an aggregate of 55,150 shares of Common Stock pursuant to the Purchase Plans.

The Purchase Plans provide that, if at any time prior to an initial public offering, an employee who has purchased shares under the Purchase Plans is terminated for any reason whatsoever, including without limitation, death, disability, resignation, retirement or termination with or without cause, (i) the Company has an option (a "call") to repurchase, in whole or in part, the shares of Common Stock of the Company that are then owned by such employee or any transferee which were acquired pursuant to the Purchase Plans and (ii) the terminated employee has an option (a "put"), to sell to the Company, in whole or in part, the shares of Common Stock then owned by such employee which were acquired pursuant to the Purchase Plans. The purchase price for the exercise of either the call or the put option is based on the Company's earnings for the most recent fiscal quarter prior to termination and the number of shares of Common Stock outstanding and subject to options and warrants to the extent such options and warrants are in the money.

**DEFERRED COMPENSATION PLAN.** Effective April 28, 1997 the Company adopted the International Logistics Deferred Compensation Plan (the "Deferred Plan") to acknowledge and reward certain key employees of the Company. The Deferred Plan permits certain key employees to elect to reduce their regular compensation and/or bonus compensation on a pre-tax basis by a fixed percentage up to a maximum specified amount. The Company may, in its sole discretion, make an allocation on behalf of employees who meet certain requirements. Each participant in the Deferred Plan may designate one or more of the funds specified in the Deferred Plan for the purpose of attributing investment experience to his accounts. Upon eligibility for retirement, death or disability, a participant, or his beneficiary, will have a 100% vested interest in such participant's accounts. Upon termination of employment for any other reason, a participant will be vested with respect to (i) 100% of that portion of his account attributable to his voluntary deferral allocations and any applicable investment experience credited to such allocation and (ii) a percentage of the portion of his account attributable to Company discretionary allocations based on years of service. Notwithstanding the foregoing, the committee which administers the Deferred Plan may, in its sole discretion, accelerate any specified vesting period. The Company has established a trust with Key Trust Company as trustee (the "Trustee") to hold and invest amounts contributed pursuant to the Deferred Plan. The Company may from time to time, at its sole discretion, direct the Trustee to purchase shares of the Company's common stock (the "Plan Shares"). The Company may, by written action, designate which employees are entitled to receive Plan Shares. If at any time prior to an initial public offering, a participant's employment is terminated for any reason whatsoever, the Company has the option to repurchase any Plan Shares held in such participant's account. As of September 30, 1997, 3,168 Plan Shares were held by the Trustee on behalf of participants under the Deferred Plan.

**EMPLOYEE STOCK OWNERSHIP.** In addition to shares of Common Stock issued to employees under the Purchase Plans and the Deferred Plan, certain shares of Common Stock and warrants to purchase shares of Common Stock held by employees are required to be repurchased by the Company under certain circumstances. An aggregate of 46,712 shares of Common Stock and warrants to purchase 175,000 shares of Common Stock held by employees of the Company are subject to put and call options on substantially the same terms as the shares of Common Stock purchased pursuant to the Purchase Plans described above. Warrants to purchase an additional 228,000 shares of Common Stock held by employees of the Company must be repurchased by the Company pursuant to the terms of such warrants upon the termination of employment of any holder of such warrants. The repurchase price depends upon, among other factors, the circumstances surrounding termination of employment, the fair market value of the Common Stock on the date of termination and the purchase price paid by the employee. With respect to warrants to purchase 110,500 of such shares, the holders thereof have additional rights to require the Company to repurchase, under certain circumstances, such warrants or shares purchased upon the exercise thereof if an initial public offering of the Company's Common Stock shall not have occurred as of specified dates.

#### PRINCIPAL STOCKHOLDERS

The following table sets forth as of December 15, 1997 certain information regarding the shares of Common Stock beneficially owned by (i) each stockholder who is known by the Company to beneficially own in excess of 5% of the outstanding shares of Common Stock, (ii) each director, Named Executive Officer and New Executive Officer and (iii) all executive officers and directors as a group. Unless otherwise indicated, each of the stockholders shown in the table below has sole voting and investment power with respect to the shares beneficially owned.

<TABLE>

<CAPTION>

| NAME AND ADDRESS OF BENEFICIAL OWNER(1)                      | BENEFICIAL OWNERSHIP    |                     |
|--|-------------------------|---------------------|
|  | NUMBER OF<br>SHARES (2) | PERCENT OF<br>CLASS |
| <S>  | <C>                     | <C>                 |
| Oaktree Capital Management, LLC(3)                           | 1,295,575               | 62.4%               |
| The TCW Group, Inc.(4)                                       | 695,575 33.5            |                     |
| TCW Special Credits Fund V--The Principal Fund               | 695,575                 | 33.5                |
| OCM Principal Opportunities Fund, L.P.                       | 600,000                 | 28.9                |
| Logistical Simon, L.L.C.(5)                                  | 519,532 24.4            |                     |
| Stephen A. Kaplan(6)   | 1,295,575               | 62.4                |
| Vincent J. Cebula(6)   | 1,295,575               | 62.4                |
| Richard J. Goldstein(6)                                      | 1,295,575               | 62.4                |
| William E. Simon, Jr.(7)                                     | 519,532 24.4            |                     |
| Michael B. Lenard(7)   | 519,532                 | 24.4                |
| Conor T. Mullett(7)  | 519,532                 | 24.4                |
| Roger E. Payton(8)   | 66,250                  | 3.1                 |
| William E. Myers(9)  | 59,938                  | 2.8                 |
| Luis F. Solis  | 7,000                   | *                   |
| Gary S. Holter   | 10,000                  | *                   |
| Larry Tieman   | 1,000                   | *                   |
| Ronald Jackson   | 0                       | *                   |
| Terry G. Clarke  | 0                       | *                   |
| Kenneth R. Batko   | 0                       | *                   |
| Executive Officers and Directors as a Group (14 persons)(10) | 1,959,295               | 87.8                |
| </TABLE>   |                         |                     |

\* Less than one percent

(1) The address of The TCW Group, Inc. and the Principal Fund is 865 South Figueroa Street, Los Angeles, California 90017. The address of Oaktree Capital Management LLC, the Opportunities Fund, Mr. Kaplan, Mr. Goldstein and Mr. Cebula is 550 Hope Street, 22nd Floor, Los Angeles, California 90071. The address of Logistical Simon, L.L.C., Mr. Simon and Mr. Lenard is 10990 Wilshire Boulevard, Suite 500, Los Angeles, California 90024. The address of Mr. Mullett is 310 South Street, P.O. Box 1913, Morristown, New Jersey 07692.

(2) As used in the table above, a beneficial owner of a security includes any person who, directly or indirectly, through contract, arrangement, understanding, relationship, or otherwise has or shares (i) the power to vote, or direct the voting, of such security or (ii) investment power which includes the power to dispose, or to direct the disposition of, such security. In addition, a person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days.

(3) All such shares are owned by the Principal Fund and the Opportunities Fund. Pursuant to a subadvisory agreement with TCW Asset Management Company ("TAMCO"), the general partner of the Principal Fund, Oaktree manages the investments and assets of the Principal Fund. In such capacity, Oaktree shares voting and dispositive power with TAMCO, a wholly-owned subsidiary of the TCW Group, Inc., as to shares owned by the Principal Fund. Oaktree also manages the investments and assets of the Opportunities Fund.

(4) All such shares are owned by the Principal Fund. TAMCO is the general partner of the Principal Fund. TAMCO is a wholly-owned subsidiary of TCW Group, Inc.

(5) Includes 50,000 shares of Common Stock issuable upon exercise of warrants which are currently exercisable.

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(6) All such shares are owned by the Principal Fund and the Opportunities Fund and are also shown as beneficially owned by Oaktree. To the extent Mr. Kaplan, Mr. Cebula or Mr. Goldstein, on behalf of Oaktree, participates in the process to vote or dispose of any such shares, they may be deemed under such circumstances for the purpose of Section 13 of the Exchange Act to be the beneficial owner of such shares. Each of Mr. Kaplan, Mr. Cebula and Mr. Goldstein disclaims beneficial ownership of such shares.

(7) All such shares are owned by Logistical Simon. To the extent Mr. Simon, Mr. Lenard or Mr. Mullett, on behalf of Logistical Simon, participates in the process to vote or dispose of any such shares, they may be deemed under such circumstances for the purpose of Section 13 of the Exchange Act to be the beneficial owner of such shares. Each of Mr. Simon, Mr. Lenard and Mr. Mullett disclaims beneficial ownership of such shares.

(8) Includes 2,488 shares held by the ILOG Deferred Compensation Plan for the benefit of Roger E. Payton and 43,750 shares of Common Stock issuable upon



exercise of warrants which are currently exercisable.

(9) Includes 59,938 shares of Common Stock issuable upon exercise of warrants which are currently exercisable.

(10) See notes (6)-(9).

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 1996, Mr. Payton purchased a total of 22,500 shares of Common Stock for the aggregate purchase price of \$450,000. In 1996 and 1997, Mr. Holter purchased a total of 10,000 shares of Common Stock for the aggregate purchase price of \$250,000. In June 1997, Mr. Solis purchased a total of 7,000 shares of Common Stock for the aggregate purchase price of \$210,000 and Mr. Tieman purchased a total of 1,000 shares of Common Stock for the aggregate purchase price of \$30,000. The Company loaned money to Messrs. Payton and Solis to finance the purchase of certain shares of Common Stock by such individuals. Messrs. Payton and Solis executed promissory notes in the amounts of \$150,240 and \$157,500, respectively, in favor of the Company and pledged their shares of Common Stock as collateral for such promissory notes pursuant to a stock pledge agreement. The promissory notes executed by Messrs. Payton and Solis bear interest at rates of 8% and 10% per annum, respectively, and mature on April 30, 2000 and March 1, 1998, respectively. The aggregate principal amount outstanding as of September 30, 1997 on the promissory notes executed by Messrs. Payton and Solis was \$150,240 and \$157,500, respectively. In addition, pursuant to the terms of the promissory note, Mr. Payton will make additional mandatory prepayments on his promissory note equal to (i) 80% of the after-tax amount of any dividend or distribution made by the Company with respect to the shares of Common Stock subject to the pledge agreement as a mandatory prepayment of principal and interest on the promissory note executed by Mr. Payton and (ii) 75% of the after-tax amount of any cash bonus paid to him prior to maturity of the promissory note. Pursuant to the terms of the note and pledge agreement executed by Mr. Solis, Mr. Solis will remit the after-tax amount of all cash dividends and distributions on the pledged shares of Common Stock directly to the Company and such amounts will be applied in payment of principal and interest on the promissory note executed by Mr. Solis.

In connection with the capitalization of the Company in May 1996, the Principal Fund and Logistical Simon purchased 628,908 shares of Common Stock and 269,532 shares of Common Stock, respectively, at a purchase price of \$20 per share. In addition, the Company issued Logistical Simon a warrant to purchase 125,000 shares of Common Stock at an initial purchase price of \$20 per share prior to May 2, 2003 (the "Logistical Simon Warrant"). The Logistical Simon Warrant vests in five equal annual installments beginning on May 2, 1996 and any unvested portions of the Logistical Simon Warrant will be forfeited and cancelled in the event of a change of control of Logistical Simon or upon the occurrence of certain dispositions and failures to acquire Common Stock by Logistical Simon. The exercise price of the Logistical Simon Warrant increases daily at an effective rate of 10% per annum. The exercise price of the Logistical Simon Warrant was \$22.88 on September 30, 1997. In connection with the Company's acquisition of LEP and Matrix in October and November 1996, Logistical Simon, the Principal Fund and the Opportunities Fund purchased an aggregate of 200,000 shares of Common Stock, 66,667 shares of Common Stock and 600,000 shares of Common Stock, respectively, at a purchase price of \$30 per share. WESS received a \$425,000 transaction fee in consideration for services provided in connection with the Company's acquisition of Bekins. In addition, each of WESS and the Opportunities Fund received a \$750,000 transaction fee upon consummation of the Company's acquisition of LEP and Matrix. The Company paid a total of \$2.5 million in transaction fees to WESS and the Oaktree Entities in connection with the LIW Acquisition, the Old Notes Offering and the New Credit Facility.

On May 2, 1996, each of the Principal Fund and Logistical Simon, stockholders of ILOG, loaned ILOG \$336,664.50 pursuant to demand promissory notes bearing interest at a rate equal to 8% per annum. All amounts outstanding under such notes were repaid by ILOG in November 1996.

On May 2, 1996, Bekins entered into an executive management agreement (the "Original Management Agreement") with WESS pursuant to which WESS agreed to provide executive management services to Bekins, including consultation, advice and direct management assistance with respect to operations, strategic planning, financing and other aspects of the business of Bekins. The Original Management Agreement had a four-year term, but was subject to earlier termination upon the occurrence of specified events. Pursuant to the terms of the Original Management Agreement, Bekins agreed to pay WESS a base fee of \$200,000 per year and a formula-based annual incentive fee of up to \$150,000 so long as there was no continuing or uncured material default under the material terms of the indebtedness of Bekins. Bekins also agreed to reimburse WESS for all reasonable out-of-pocket expenses incurred by WESS or its personnel in connection with performance of services under the Original Management Agreement. On October 31, 1996, the Original Management Agreement was terminated by WESS and Bekins, and WESS and ILOG entered into an executive management agreement (the "ILOG Management Agreement") pursuant to which WESS agreed to provide the same

services to ILOG as it had previously provided to Bekins pursuant to the Original Management Agreement. The ILOG Management Agreement terminates on May 2, 2000, subject to earlier termination upon the occurrence of specified events, and provides that ILOG will pay WESS a management fee equal to \$350,000 per year so long as there is no continuing or uncured material event of default under the material terms of indebtedness of ILOG or its subsidiaries. ILOG also agreed to reimburse WESS for reasonable out-of-pocket expenses incurred by WESS or its personnel in connection with performance of services under the ILOG Management Agreement. In 1996, ILOG and Bekins paid WESS an aggregate of \$241,000 pursuant to the Original Management Agreement and the ILOG Management Agreement. The Company has paid WESS management fees in the aggregate amount of \$262,500 for services provided by WESS in 1997. The Company has entered into a management agreement with the Oaktree Entities which has substantially the same terms as the ILOG Management Agreement.

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On September 29, 1995, WESS executed agreements (the "Myers Agreement") with W.E. Myers & Co. ("WEMCO"), a company formed by William E. Myers, Jr., a director of the Company ("Myers"), entitling WEMCO to receive a \$50,000 per year retainer and cash and equity compensation upon the consummation, during the one year term of the Myers Agreement and for a period of two years following the termination thereof, of acquisitions of companies introduced by WEMCO to WESS or its affiliates. The amount of cash fees payable and warrants to purchase ILOG Common Stock issuable to WEMCO is based on the value of any consummated transaction. On February 29, 1996, WESS delivered notice to WEMCO terminating the Myers Agreement. In 1996, the Company paid WEMCO fees in the amount of \$697,000, \$574,000 and \$300,000 in connection with the acquisition of Bekins, LEP and Matrix, respectively, in consideration for consulting services provided by WEMCO to ILOG in connection with such acquisitions. On May 2, 1996, for aggregate consideration of \$600, ILOG issued Myers warrants to acquire 39,584 shares of Common Stock at any time prior to November 2, 2003 at an initial purchase price of \$20 per share. On October 31, 1996 and November 7, 1996, Myers purchased, for aggregate consideration of \$1,488.46, warrants to acquire 13,024 shares of Common Stock and 7,330 shares of Common Stock, respectively, at an initial purchase price of \$30 per share, exercisable at any time prior to April 30, 2004 and May 7, 2004, respectively (the "\$30 Warrants"). The exercise price of each of the \$30 Warrants increases daily at an effective rate of 10% per annum. On September 30, 1997, the exercise price of the \$30 Warrants was \$32.73. Each of the foregoing transactions was consummated pursuant to the terms of the Myers Agreement.

The Company and the holders of all of the Company's issued and outstanding shares of Common Stock and warrants to purchase Common Stock have executed an amended and restated Stockholders Agreement. Each of the parties to the Stockholders Agreement has agreed to vote the Company securities held by such party to elect a Board of Directors consisting of three directors nominated by Logistical Simon, two directors nominated by the Opportunities Fund, one director nominated by the Principal Fund, the Chief Executive Officer of the Company and William E. Myers, Jr. (the "Initial Voting Agreement"). The Initial Voting Agreement will terminate upon (i) consummation of an initial public offering by the Company, (ii) certain sales of Company securities by Logistical Simon, (iii) failure of the Oaktree Entities or Logistical Simon to purchase Common Stock under certain circumstances, (iv) the occurrence of a deadlock of the Board of Directors in the event of a default by the Company with respect to certain of its indebtedness or the acceleration of certain of the Company's indebtedness, a bankruptcy of the Company or the entry of a judgement exceeding a specified level against the Company and (v) May 2, 2002. Each of the parties to the Stockholders Agreement has agreed that, following the termination of the Initial Voting Agreement for any reason other than an initial public offering, it will vote its Company securities to elect a Board of Directors consisting of five directors. Under such circumstances, the number of directors that the Oaktree Entities and Logistical Simon may nominate will depend on the percentage of voting stock of the Company held by the Oaktree Entities. Prior to termination of the Initial Voting Agreement, the approval of six members of the Board of Directors is required for the Company to issue securities, borrow money, spend money, incur any obligation or take any action, except with respect to the daily affairs and operations of the Company arising in the ordinary course of business. In addition, prior to termination of the Initial Voting Agreement, the Executive Committee of the Board of Directors, which consists of one director nominated by the Oaktree Entities, one director nominated by Logistical Simon and the Chief Executive Officer of the Company, may take any action on behalf of the Board of Directors upon unanimous approval of the Executive Committee. Prior to the termination of the Initial Voting Agreement, the Audit Committee and Compensation Committee are to be comprised of one member designated by the Oaktree Entities and one member designated by WESS. Finally, prior to the termination of the Initial Voting Agreement, all actions taken by the holders of Common Stock require the approval of the holders of at least 80% of the issued and outstanding shares entitled to vote. The Stockholders Agreement also contains certain rights of first refusal with respect to transfers of Company securities, preemptive rights with respect to future issuances of Common Stock or securities convertible into Common Stock by the Company, and tag-along and drag-along rights.

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## ACQUISITION OF BEKINS

On May 2, 1996 the Company acquired Bekins for an aggregate cash payment of \$32,195,304 and an aggregate of 45,560 shares of the Common Stock pursuant to an Agreement and Plan of Merger dated April 10, 1996. The Company financed the Bekins' acquisition with a portion of the \$18,468,800 in proceeds received by the Company from the issuance of an aggregate of 923,440 of shares of Common Stock and an aggregate of approximately \$32.0 million of borrowings under the Company's \$50.0 million credit facility.

## ACQUISITION OF LEP-USA AND LEP-CANADA

On October 31, 1996, the Company acquired all of the issued and outstanding capital stock of LEP-USA, a subsidiary of LIW, for an aggregate purchase price of \$4.5 million and LEP-Canada, a subsidiary of LIW, for an aggregate purchase price of \$6.5 million. The purchase price for the acquisition of LEP-USA and LEP-Canada was financed with borrowings made pursuant to a \$110.0 million credit facility syndicated by the banks acting as agents under Bekins' previous credit facility (the "Loan Agreement").

The Company's acquisitions of LEP-USA and LEP-Canada were the initial steps in the Company's acquisition of LIW. In August 1996, the Company advanced LIW \$1.0 million in the form of a demand note (the "LIW Note"). In exchange for extending such advance, LIW issued a warrant to the Company to purchase 420,000 ordinary shares, par value L.01 per share of LIW capital stock ("Ordinary Shares"). In addition, concurrently with the Company's acquisition of LEP-USA and LEP-Canada, (i) the Company released LIW from its obligations pursuant to the LIW Note, (ii) LIW cancelled the warrant to purchase Ordinary Shares that had been previously issued to the Company, (iii) LIW issued 100 Ordinary Shares to the Company; (iv) LIW issued a warrant to the Company to purchase 419,900 Ordinary Shares (the "LIW Warrant"), and (v) certain holders of Ordinary Shares and warrants to purchase Ordinary Shares entered into stockholder agreements and option agreements relating to the transfer of such securities for the three year period ending on October 31, 1999. As a result of such transactions, the Company held a 33.3% interest in LIW's fully-diluted equity and appointed two of its executives to serve as members of the LIW Board of Directors. In connection with the acquisition of LEP-USA and LEP-Canada, the Company entered into two operational working agreements providing that, for a term of seven years, each of LEP-USA, LEP-Canada and LIW will operate their respective freight forwarding businesses as part of global network with shared information systems platforms based on LIW's FAST 400 system software.

## ACQUISITION OF MATRIX

On November 7, 1996, the Company purchased all of the issued and outstanding capital stock of Matrix for the aggregate consideration of approximately \$19.2 million in cash and 96,000 shares of Common Stock. In connection with the acquisition of Matrix, the Company entered into a stock purchase agreement with the minority holder of equity securities of certain subsidiaries of Matrix. The aggregate consideration paid by the Company to acquire the minority interests of the Matrix subsidiaries was \$754,988 in cash and 4,000 shares of Common Stock. The Company financed the acquisition of Matrix with borrowings made pursuant to the Loan Agreement and the proceeds from the sale of equity securities to the Principal Fund, the Opportunities Fund, Logistical Simon and an affiliate of one of the Company's lenders. See "Certain Relationships and Related Transactions."

In connection with the acquisition, the Company entered into employment agreements with each of the four selling stockholders of Matrix. Each employment agreement with the four Matrix executives terminates on December 31, 2001 and provides for an annual base salary of \$375,000 per year. In addition, each employment agreement provides for cash bonus compensation of \$250,000 and approximately 8,333 shares of Common Stock awards for each of the years ended December 31, 1997, 1998 and 1999 if certain of Matrix's EBITDA targets are met. The cash bonus will increase to \$500,000 for each of the years ended December 31, 2000 and 2001 if Matrix's EBITDA is at least \$9.0 million for the years ended December 31, 2000 and 2001, respectively. In addition, the Matrix employment agreements provide that even if annual EBITDA targets are not met, unpaid cash bonus compensation will be paid to the Matrix executives if Matrix's aggregate EBITDA for the five year period beginning January 1, 1997 is equal to or greater than \$40.2 million, there is a change of control of Matrix or the Company during the term of the Matrix employment agreements, or any such Matrix executive is terminated without cause or by constructive termination. Unpaid stock bonus compensation will be paid to the Matrix executives if Matrix's aggregate EBITDA for the five year period beginning January 1, 1997 is at least \$40.2 million and there is a change of control of the Company or Matrix during the contract term, the Matrix executive's employment is terminated without cause or by constructive termination or the Company has consummated a qualifying registered public offering of the Company's equity securities. The Matrix employment agreements provide that the Matrix executives will be elected to the board of directors of Matrix and that all major corporate transactions by Matrix must be approved by the Company and a majority of the Matrix executives. Shares of Common Stock issued to each of the Matrix executives in consideration for the acquisition by the Company of the Matrix capital stock and shares of Common

issued to each of the Matrix executives pursuant to the Matrix employment agreements are subject to certain put and call rights of such Matrix executive and the Company in the event of a termination of such Matrix executive's employment by Matrix under certain circumstances. The purchase price for such put and call options is subject to and based upon the circumstances under which the employment of the Matrix executive's employment was terminated.

#### ACQUISITION OF LIW

In the period from May 1997 through September 1997, the Company entered into option agreements (the "LIW Options") with all of the holders of Ordinary Shares and warrants to purchase Ordinary Shares of LIW. The LIW Options provided for the future acquisition of all of LIW's outstanding Ordinary Shares (other than shares previously acquired by the Company in October 1996. On September 30, 1997, the Company exercised four of the LIW Options for consideration consisting of L4,500 and warrants to purchase an aggregate of 19,045 shares of Common Stock at an initial exercise price of \$45.00 per share (the "ILOG Warrants"). The ILOG Warrants are exercisable prior to December 31, 2007. Additionally, on September 30, 1997, the Company exercised the LIW Warrant for L4,199 and exercised warrants to purchase 306,000 Ordinary Shares of LIW for aggregate consideration of L253,980. As a result of the foregoing transactions, ILOG owned 726,120 Ordinary Shares, or 75.2% of LIW's issued and outstanding Ordinary Shares as of September 30, 1997 (the "LIW Acquisition"). On October 1, 1997, certain employees of LIW returned their warrants to purchase Ordinary Shares to LIW for cancellation and entered into employment agreements with ILOG or LIW. In October 1997, ILOG purchased warrants to purchase Ordinary Shares held by a former ILOG employee for \$35,000 pursuant to the terms of a pre-existing agreement. On December 12 and 15, 1997, the Company exercised all remaining LIW Options for an aggregate exercise price of L462,467 (\$763,533). Upon exercise of such remaining LIW Options, the Company became the holder of 100% of LIW's issued and outstanding voting Ordinary Shares.

In connection with the LIW Acquisition, the Company entered into an option agreement to acquire all 50,000 of LIW's issued and outstanding LIW preference shares (the "Preference Shares") for an aggregate purchase price of L5.3 million (\$8.6 million). The Company exercised said option on December 12, 1997. Upon exercise of the remaining LIW Options and the Preference Shares option on December 12 and 15, 1997, LIW became a wholly-owned subsidiary of the Company.

The LIW Options contain limited representations and warranties and only three of the LIW Options relating to Ordinary Shares entitle the Company to receive indemnification for breaches of representations, warranties and covenants of the transferring holders. In addition, the three LIW Options that contain indemnification provisions limit the indemnity that the Company may receive from the transferring holder to \$400,000 and provide that the Company may not recover under the indemnification provisions unless the losses suffered by the Company exceed \$50,000 in the aggregate. Such LIW Options contain similar provisions relating to the indemnity obligations of the Company. The options relating to the acquisition of the Preference Shares do not contain any provisions relating to indemnification obligations of the Company or the transferring holders of the Preference Shares.

In connection with the LIW Acquisition, LIW entered into employment agreements with three of its executives, who were also selling stockholders. The agreements have terms ranging from three to five years and provide for salaries ranging from L125,000 (\$208,000) to L200,000 (\$333,000) per year and benefits consistent with such executives' current employment arrangements with LIW. Certain of these agreements provide for annual performance based cash bonus compensation of up to 70% of such executive's annual salary payable upon satisfaction of certain financial targets and other clearly defined management objectives to be agreed upon by LIW and such executive. The executives are entitled to receive minimum bonuses aggregating approximately \$2.6 million over the terms of such agreements. Subject to the continuing employment of the relevant executive, such bonuses may be paid in specified installments over the term of such agreements. The employment agreements provide that, under certain circumstances, bonuses must be refunded to the Company upon termination of employment or other events. Each employment agreement requires the executive to be bound by noncompetition and nonsolicitation provisions similar to those of other ILOG executives.

In connection with the execution of the LIW Options, ILOG issued and delivered warrants (the "Performance Warrants") to purchase a total of 73,000 shares of ILOG Common Stock at an exercise price of \$45.00 per share to entities (the "Performance Warrant Holders") related to selling stockholders who are also executives of LIW. The shares of ILOG Common Stock that may be purchased by the Performance Warrant Holders pursuant to the terms of the Performance Warrants vest in annual installments over periods of three to five years based upon achievement of specified annual consolidated EBITDA targets by certain subsidiaries of LIW. The vesting of shares of ILOG Common Stock subject to each of the Performance Warrants is subject to acceleration in the event of a change of control of ILOG or termination of employment of the relevant executive by the

Company without cause or as a result of constructive discharge. The Company has agreed, subject to limitations contained in the Company's debt and equity financing arrangements, to purchase the Performance Warrants and shares of Common Stock issued upon the exercise of the Performance Warrants in the event of a termination of the relevant executive dependent upon the circumstances giving rise to such termination or, in certain circumstances, if the Company has not completed an initial public offering of its Common Stock prior to specified dates.

## NEW CREDIT FACILITY

### GENERAL

In connection with the Old Notes Offering, certain of the Company's direct subsidiaries (the "Borrowers"), the Company and certain other direct and indirect subsidiaries of the Company (including LEP-Canada), as guarantors, and LEP UK, the Company's indirect U.K. subsidiary, as a foreign borrower, entered into the New Credit Facility with ING, as agent. The New Credit Facility consists of a revolving credit facility in an aggregate principal amount of \$100.0 million (the "Loans"). The New Credit Facility includes a \$60.0 million sub-limit for letters of credit, a \$30.0 million sub-limit for British Pounds Sterling borrowings by LEP UK and a \$5.0 million sub-limit for the issuance of letters of credit in Canadian Dollars. The obligations of the Borrowers under the New Credit Facility are joint and several. The obligations of LEP UK under the New Credit Facility are several to LEP UK. The Loans will mature in October 2002.

Indebtedness under the New Credit Facility, including the Loans to LEP UK, is secured by a first priority security interest upon all of the Company's, the Borrowers' and their domestic subsidiaries' accounts receivable, 100% of the stock of each domestic active subsidiary of the Company, including LEP-Canada (except in the case of foreign subsidiaries, in which case only 66% of the stock of such foreign subsidiaries will be pledged), and certain intercompany obligations. In addition, LEP UK secured its borrowings under the New Credit Facility by a first priority security interest upon all of its accounts receivable.

### REVOLVING CREDIT FACILITY

The New Credit Facility consists of a revolving credit facility in an aggregate principal amount of \$100.0 million. The Borrowers are entitled to draw amounts under the New Credit Facility, subject to availability pursuant to a borrowing base formula based upon eligible accounts receivable, in order to meet the Company's working capital requirements and for general corporate purposes. Loans are available to LEP UK upon the release of certain liens and claims of the holder of the Preference Share against the assets of LEP UK and its subsidiaries.

### GUARANTIES

The loans are guaranteed by the Company. In addition, certain indirect domestic subsidiaries of the Company, guaranteed the Loans, including the Loans to LEP UK. LEP UK is only responsible for its own obligations under the New Credit Facility. The direct subsidiary that holds the stock of LIW pledged 66% of that stock.

### INTEREST RATES

At the Company's option, interest will accrue on the Loans with reference to either the Prime Rate (as defined) or LIBOR (as defined), plus the applicable interest margin. The Prime Rate is defined as, on any date, the arithmetic average of the prime rates in effect from time to time as announced by the Chase Manhattan Bank, Citibank and Morgan Guaranty Trust Company. LIBOR is defined as the London Interbank Offered Rate, as adjusted to include any reserve requirement of the Lenders. The applicable interest margin will be 0.5% until March 31, 1998 for Prime Rate loans and 2.0% for LIBOR loans. Between April 1, 1998 and October 27, 1998, the applicable interest margin will be the lower of (i) the foregoing margins or (ii) a percentage which will fluctuate between 0.0% and 1.0% for Prime Rate loans and between 1.5% and 2.5% for LIBOR loans, based on the ratio of the Company's funded indebtedness to EBITDA (the "Floating Margin"). From October 28, 1998, the Floating Margin will determine the applicable interest margin.

### MANDATORY AND OPTIONAL PREPAYMENT

With the exception of mandatory prepayments in connection with certain change of control events and certain asset dispositions involving a borrowing base reduction, the New Credit Facility does not contain any mandatory prepayment provisions as long as the aggregate amount of the Loans does not

exceed the level of borrowing base availability or the commitments under the New Credit Facility. The New Credit Facility provides that the Company may prepay Loans in whole or in part without penalty, subject to reimbursement of the lender's breakage and redeployment costs in the case of prepayment of LIBOR loans. The definition of Change of Control in the New Credit Facility in certain circumstances is be more restrictive than that contained in the Indenture.

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## COVENANTS

The New Credit Facility contains certain covenants and other requirements of the Company and its subsidiaries. In general, the affirmative covenants provide for mandatory reporting by the Company of financial and other information to the agent and notice by the Company to the agent upon the occurrence of certain events, maintenance of its properties and compliance with regulation.

The New Credit Facility also contains certain negative covenants and restrictions on actions by the Company including, without limitation, restrictions on indebtedness, liens, guarantee obligations, mergers, creation or dissolution of subsidiaries, asset dispositions not in the ordinary course of business, investments, acquisitions, loans, advances, dividends and other restricted junior payments, transactions with affiliates, sale and leaseback transactions, prepayment of or amendments to junior obligations, entering other lines of business and amendments of other indebtedness. The New Credit Facility requires the Company to meet certain financial covenants including minimum EBITDA (as defined in the New Credit Facility) and, in certain circumstances, interest coverage tests.

## EVENTS OF DEFAULT

The New Credit Facility specifies certain customary events of default including, without limitation, nonpayment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties in any material respect, cross default to certain other indebtedness and agreements, bankruptcy and insolvency events, material judgments and liabilities, material adverse pension plan events and unenforceability of certain documents under the New Credit Facility, determination that any subordinated obligation is not subordinated and change of control. The events of default under the New Credit Facility are substantially similar to the events of default under the Indenture except for the following material differences: (i) the Company's failure to pay other indebtedness or judgments entered against the Company, including failure to pay amounts due with respect to the New Notes, trigger a cross-default under the New Credit Facility at lower dollar amounts than in the Indenture and without the requirement of actual acceleration by the holders of such indebtedness; (ii) the creation of liens on or failure of any security interest in collateral securing the New Credit Facility trigger a default under the New Credit Facility and (iii) the New Credit Facility generally has shorter grace periods and lower default thresholds.

The description of the New Credit Facility set forth above is qualified in its entirety to the complete text of the documents entered into in connection therewith.

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## THE EXCHANGE OFFER

### PURPOSE OF THE EXCHANGE OFFER; REGISTRATION RIGHTS

The Old Notes were sold by the Company on October 29, 1997 (the "Closing Date") to Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Baring (U.S.) Securities, Inc. (collectively, the "Initial Purchasers"). As a condition to the sale of the Old Notes, the Company and the Initial Purchasers entered into the Registration Rights Agreement on the Closing Date. The Registration Statement, of which this Prospectus is part, is intended to satisfy certain of the Company's obligations under the Registration Rights Agreement summarized below. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution."

The Company has agreed pursuant to the Registration Rights Agreement with the Initial Purchasers, for the benefit of the Holders, that the Company will, at its cost, (i) within 60 days after the date of original issue of the Old Notes, file the Exchange Offer Registration Statement with the SEC with respect to a registered exchange offer (the "Registered Exchange Offer") to exchange the Old Notes for the New Notes having terms substantially identical in all material respects to the Old Notes (except that the New Notes will not contain terms with respect to transfer restrictions) and (ii) use all reasonable efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act within 195 days after the date of original issue of the Old Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Company will offer the New Notes in exchange for surrender of the Old Notes. The



Registration Rights Agreement provides that the Company is required to keep the Registered Exchange Offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the Holders. For each Old Note surrendered to the Company pursuant to the Registered Exchange Offer, the Holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. Interest on each New Note will accrue from the last interest payment date on which interest was paid on the Old Note surrendered in exchange therefor or, if no interest has been paid on such Old Note, from the date of its original issue. Under existing SEC interpretations, the New Notes will be freely transferable by Holders other than affiliates of the Company after the Registered Exchange Offer without further registration under the Securities Act if the Holder of the New Notes represents that it is acquiring the New Notes in general in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the New Notes and that it is not an affiliate of the Company, as such terms are interpreted by the SEC; provided, however, that broker-dealers ("Participating Broker-Dealers") receiving New Notes in the Registered Exchange Offer will have a prospectus delivery requirement with respect to resales of such New Notes. Under similar SEC interpretations, Participating Broker-Dealers may fulfill their prospectus delivery requirements with respect to New Notes (other than a resale of an unsold allotment from the original sale of the Old Notes) with the prospectus contained in the Exchange Offer Registration Statement. Under the Registration Rights Agreement the Company is required to allow Participating Broker-Dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the Exchange Offer Registration Statement in connection with the resale of such New Notes.

A Holder (other than certain specified holders) who wishes to exchange such Old Notes for New Notes in the Registered Exchange Offer will be required to represent, among other things, that any New Notes to be received by it will be acquired in the ordinary course of its business, that at the time of the commencement of the Registered Exchange Offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the New Notes and that it is not an "affiliate" of the Company, as defined in Rule 405 under the Securities Act, or if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

In the event that (i) applicable law or interpretations of the staff of the SEC do not permit the Company to effect such a Registered Exchange Offer, (ii) if for any other reason the Registered Exchange Offer is not consummated within 230 days of the date of the original issue of the Old Notes, or (iii) any Holder notifies the Company within 30 days after commencement of the Registered Exchange Offer that such holder (x) is prohibited by applicable law or SEC policy from participating in the Registered Exchange Offer, (y) may not resell New Notes acquired by it to the public without delivery of a prospectus and that the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (z) is a broker-dealer and holds Old Notes acquired directly from the Company or an affiliate of the Company, then in lieu of conducting the Registered Exchange Offer, the Company will, at its cost, (a) as promptly as practicable, file a Shelf Registration Statement covering resales of the Old Notes or the New Notes, as the case may be, (b) use all reasonable efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act and (c) keep the Shelf Registration Statement effective until two years from the date of its effectiveness or such shorter period that will terminate when all of the Old Notes covered by the Shelf Registration Statement have been disposed of pursuant to the Shelf Registration Statement. The Company is required to in the event a Shelf Registration Statement is filed, among other things, provide to each Holder for whom such Shelf Registration Statement was filed copies of the prospectus which is a part of the Shelf Registration Statement, notify each such Holder when

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the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Old Notes or the New Notes, as the case may be. A Holder selling such Old Notes or New Notes pursuant to the Shelf Registration Statement generally would be required to be named as a selling security Holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such Holder (including certain indemnification obligations). In addition, each Holder of the Old Notes or New Notes to be registered under the Shelf Registration Statement is required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time period set forth in the Registration Rights Agreement in order to have such Holder's Old Notes or New Notes included in the Shelf Registration Statement and to benefit from the provisions regarding additional interest set forth in the following paragraph.

If (i) by December 28, 1997, the Exchange Offer Registration Statement has not been filed with the SEC; (ii) by June 16, 1998, neither the Registered



Exchange Offer is consummated nor, within the time period specified in the Registration Rights Agreement, the Shelf Registration Statement is declared effective; or (iii) after either the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective, such Registration Statement thereafter ceases to be effective or usable (subject to certain exceptions) in connection with resales of Old Notes or New Notes in accordance with and during the periods specified in the Registration Rights Agreement (each such event referred to in clauses (i) through (iii), a "Registration Default"), additional interest ("Special Interest") will accrue on the Old Notes and the New Notes from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured. Special Interest will accrue at a rate of 0.25% per annum during the 90-day period following the occurrence of any Registration Default and shall increase by 0.25% per annum at the beginning of each subsequent 90-day period, but in no event shall such rate exceed 1.0% per annum. Special Interest is payable in addition to any other interest payable from time to time with respect to the Old Notes and the New Notes.

If the Company effects the Registered Exchange Offer, it is entitled to close the Registered Exchange Offer 30 days after the commencement thereof provided that it has accepted all Old Notes theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is available upon request to the Company.

#### TRANSFER RESTRICTED SECURITIES

For purposes of the foregoing, "Transfer Restricted Securities" means each Old Note until (i) the date on which such Old Note has been exchanged by a person other than a broker-dealer for a New Note in the Exchange Offer, (ii) following the exchange by a broker-dealer in the Exchange Offer of an Old Note for a New Note, the date on which such New Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Old Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Old Note may be distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act or another applicable resale exemption under the Securities Act.

#### TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, the Company will accept any and all the Old Notes validly tendered and not withdrawn prior to the Expiration Date. As of the date of this Prospectus, \$110.0 million aggregate principal amount of the Old Notes is outstanding. This Prospectus, together with the Letter of Transmittal, is first being sent on or about [ ], 1998, to all Noteholders known to the Company. The Company's obligation to accept the Old Notes for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth under "--Certain Conditions to the Exchange Offer" below. The Company will issue \$1,000 principal amount of New Notes in exchange for each \$1,000 principal amount of outstanding Old Notes accepted in the Exchange Offer. Noteholders may tender some or all of their Old Notes pursuant to the Exchange Offer. See "--Consequences of Failure to Exchange." However, the Old Notes may be tendered only in integral multiples of \$1,000.

The New Notes will evidence the same debt as the Old Notes for which they are exchanged, and are entitled to the benefits of the Indenture. The form and terms of the New Notes are the same as the form and terms of the Old Notes except that the New Notes have been registered under the Securities Act and hence will not bear legends restricting the transfer thereof.

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Noteholders do not have any appraisal or dissenters' rights under the Indenture in connection with the Exchange Offer. The Company intends to conduct the Exchange Offer in accordance with the applicable requirements of Regulation 14E under the Exchange Act.

The Company shall be deemed to have accepted validly tendered Old Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering Noteholders for the purpose of receiving the New Notes from the Company.

If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, such unaccepted tenders of Old Notes will be returned, without expense to the Noteholder thereof, as promptly as practicable after the Expiration Date.

Noteholders whose Old Notes are not tendered or are tendered but not accepted in the Exchange Offer will continue to hold such Old Notes and will be entitled to all the rights and preferences and subject to the limitations applicable thereto under the Indenture. Following consummation of the Exchange Offer, the Noteholders will continue to be subject to the existing restrictions upon transfer thereof and the Company will have no further obligation to such Noteholders to provide for the registration under the Securities Act of the Old Notes held by them. To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. See "Risk Factors -Restrictions Upon Transfer of and Limited Trading Market for Old Notes."

Noteholders who tender Old Notes in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Old Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange Offer. See "--Fees and Expenses; Solicitation of Tenders."

#### EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The term "Expiration Date" shall mean 5:00 p.m., New York City time on [ ], 1998, unless the Company extends the Exchange Offer, in which case the term "Expiration Date" shall mean the date and time to which the Exchange Offer is extended.

In order to extend the Expiration Date, the Company will notify the Exchange Agent of any extension by oral or written notice, mail to the registered Noteholders an announcement thereof and will make a release to the Dow Jones News Services each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

The Company reserves the right at its sole discretion (i) to delay accepting any Old Notes, (ii) to extend the Exchange Offer, (iii) to terminate the Exchange Offer and not accept the Old Notes not previously accepted if any of the conditions set forth below under "--Certain Conditions to the Exchange Offer" shall have occurred and shall not have been waived by the Company, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (iv) to amend the terms of the Exchange Offer in any manner. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Noteholders. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment by means of a Prospectus supplement that will be distributed to all Noteholders, and the Company will extend the Exchange Offer for a period of five to ten business days, depending upon the significance of the amendment and the manner of disclosure to Noteholders, if the Exchange Offer would otherwise expire during such five to ten business day period. During any extension of the Expiration Date, all Old Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by the Company.

The Company shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to the Dow Jones News Service.

#### INTEREST ON THE NEW NOTES

Interest accrues on the New Notes at the rate of 9 3/4% per annum and will be payable in cash semiannually in arrears on each April 1 and October 15, commencing April 15, 1998. No interest will be payable on the Old Notes on the date of the exchange for the New Notes and therefore no interest will be paid thereon to the Noteholders at such time.

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#### PROCEDURES FOR TENDERING THE OLD NOTES

The tender to the Company of the Old Notes by a beneficial owner thereof as set forth below and the acceptance by the Company thereof will constitute a binding agreement between the tendering Noteholder and the Company upon the terms and subject to the conditions set forth in this Prospectus and the Letter of Transmittal.

Except as set forth below, a Noteholder who wishes to tender the Old Notes for exchange pursuant to the Exchange Offer must transmit a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to the Exchange Agent at one of the addresses set forth below under "Exchange Agent" on or prior to the Expiration Date. In addition, (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Notes into the Exchange Agent's account at the Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date, or (iii) the Noteholder must comply with the guaranteed delivery procedures

described below. THE METHOD OF DELIVERY OF OLD NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE NOTEHOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY.

Each signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes surrendered for exchange pursuant thereto are tendered (i) by a registered Noteholder who has not completed the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" in the Letter of Transmittal or (ii) for the account of an Eligible Institution (as defined below). In the event that a signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, such guarantee must be by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office or correspondent in the United States or otherwise an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (collectively, "Eligible Institutions"). If the Old Notes are registered in the name of a person other than the person signing the Letter of Transmittal, the Old Notes surrendered for exchange must be endorsed by, or be accompanied by, a written instrument or instruments of transfer or exchange, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered Noteholder with the signature thereon guaranteed by an Eligible Institution.

If the Letter of Transmittal is signed by a person or persons other than the registered Noteholder or Noteholders, such Old Notes must be endorsed by the registered Noteholder with signature guaranteed by an Eligible Institution or accompanied by appropriate powers of attorney with signature guaranteed by an Eligible Institution, in either case signed exactly as the name or names of the registered Noteholder or Noteholders that appear on the Old Notes.

If the Letter of Transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should so indicate when signing and, unless waived by the Company, proper evidence satisfactory to the Company of its authority so to act must be submitted with the Letter of Transmittal.

By tendering, each Noteholder will represent to the Company that, among other things, (i) the New Notes acquired pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the Noteholder, (ii) neither the Noteholder nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes, (iii) if the Noteholder is not a broker-dealer, or is a broker-dealer but will not receive New Notes for its own account in exchange for the Old Notes, neither the Noteholder nor any such other person is engaged in or intends to participate in the distribution of such New Notes and (iv) neither the Noteholder nor any such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company. If the tendering Noteholder is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a Prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a Prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

DELIVERY OF DOCUMENTS TO THE DEPOSITORY TRUST COMPANY OR THE COMPANY DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of the Old Notes tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company

reserves the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to not accept any particular Old Notes which acceptance might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right in its sole discretion to waive any defects or irregularities or conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the right to waive the ineligibility of any Noteholder who seeks to tender Old Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the Letter of Transmittal and instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with the tenders of Old Notes for exchange must be cured within such reasonable period of time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notification of any defect or irregularity with

respect to any tender of Old Notes for exchange, nor shall any of them incur any liability for failure to give such notification.

Each broker-dealer that receives New Notes for its own account in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution."

#### ACCEPTANCE OF THE OLD NOTES FOR EXCHANGE; DELIVERY OF THE NEW NOTES

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, the Company will accept, promptly after the Expiration Date, all Old Notes properly tendered and will issue the New Notes promptly after acceptance of the Old Notes. See "--- Certain Conditions to the Exchange Offer" below. For purposes of the Exchange Offer, the Company shall be deemed to have accepted properly tendered Old Notes for exchange when, and if the Company has given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of the New Notes for the Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described below, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if certificates representing the Old Notes are submitted for a greater principal amount than the Noteholder desires to exchange, such unaccepted or non-exchanged Old Notes will be returned without expense to the tendering Noteholder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described below, such non-exchanged Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

#### BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer promptly after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of the Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's Automated Tender Offer Program ("ATOP") procedures for transfer. However, the exchange for the Old Notes so tendered will only be made after timely confirmation of such book-entry transfer of Old Notes into the Exchange Agent's account, and timely receipt by the Exchange Agent of an Agent's Message (as such term is defined in the next sentence) and any other documents required by the Letter of Transmittal on or prior to the Expiration Date or pursuant to the guaranteed delivery procedures described below. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility and received by the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgement from a participant tendering Old Notes that are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal, and that the Company may enforce such agreement against such participant.

#### GUARANTEED DELIVERY PROCEDURES

If a registered Noteholder of the Old Notes desires to tender such Old Notes and the Old Notes are not immediately available, or time will not permit such Noteholder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the Noteholder and the amount of Old Notes tendered, stating that the tender is being made

thereby and guaranteeing that within five New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates of all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry

Confirmation, as the case may be, and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

#### WITHDRAWAL RIGHTS

Tenders of the Old Notes may be withdrawn at any time prior to the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at one of the addresses set forth below under "Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Notes to be withdrawn, identify the Old Notes to be withdrawn (including the principal amount of such Old Notes), and (where certificates for Old Notes have been transmitted) specify the name in which such Old Notes are registered, if different from that of the withdrawing Noteholder. If certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates, the withdrawing Noteholder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such Noteholder is an Eligible Institution. If Old Notes have been tendered pursuant to the procedure for book-entry transfer described above, any note of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the Noteholder thereof without cost to such Noteholder (or, in the case of Old Notes tendered by book-entry transfer procedures described above, such Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "Procedures for Tendering the Old Notes" above at any time on or prior to the Expiration Date.

#### CERTAIN CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provision of the Exchange Offer, the Company shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the Exchange Offer, if at any time before the acceptance of such Old Notes for exchange or the exchange of the New Notes for such Old Notes, there shall be threatened, instituted or pending any action or proceeding before, or any injunction, order or decree shall have been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission (i) seeking to restrain or prohibit the making or consummation of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result thereof, or (ii) resulting in a material delay in the ability of the Company to accept for exchange or exchange some or all of the Old Notes pursuant to the Exchange Offer; or any statute, rule, regulation, order or injunction shall be sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any government or governmental authority, domestic or foreign, or any action shall have been taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in the sole judgment of the Company might directly or indirectly result in any of the consequences referred to in clause (i) or (ii) above or, in the sole judgment of the Company, might result in the holders of New Notes having obligations with respect to resales and transfers of New Notes which exceed those described herein, or would otherwise make it inadvisable to proceed with the Exchange Offer.

If the Company determines in good faith that any of the conditions are not met, the Company may (i) refuse to accept any Old Notes and return all tendered Old Notes to exchanging Noteholders, (ii) extend the Exchange Offer and retain all Old Notes tendered prior to the expiration of the Exchange Offer, subject, however, to the rights of Noteholders to withdraw such Old Notes (see "--Withdrawal Rights") or (iii) waive certain of such unsatisfied conditions with respect to the Exchange Offer and accept all properly tendered Old Notes which have not been withdrawn or revoked. If such waiver constitutes a material change to the Exchange Offer, the Company will promptly disclose such waiver by means of a Prospectus supplement that will be distributed to all Noteholders.

Noteholders have certain rights and remedies against the Company under the Registration Rights Agreement, including liquidated damages of up to 1.0% per annum, should the Company fail to consummate the Exchange Offer within a certain period of time.

The foregoing conditions are for the benefit of the Company and may be asserted by the Company in good faith regardless of the circumstances giving rise to such condition or may be waived by the Company in whole or in part at any time and from time to time in its discretion. The failure by the Company at any time to exercise the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

#### EXCHANGE AGENT

First Trust National Association has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

BY REGISTERED OR CERTIFIED MAIL; BY OVERNIGHT COURIER; OR BY HAND. First Trust National Association  
180 East Fifth Street  
St. Paul, Minnesota 55101  
Attention: Specialized Finance Department  
Telephone: (612) 244-1215  
Facsimile: (612) 244-1537

DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

#### FEES AND EXPENSES; SOLICITATION OF TENDERS

The expenses of soliciting tenders will be borne by the Company. The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telephone or in person by officers and regular employees of the Company and its affiliates.

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers, dealers or others soliciting acceptances of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

The cash expenses to be incurred in connection with the Exchange Offer will be paid by the Company and are estimated in the aggregate to be \$            which includes fees and expenses of the Exchange Agent and Trustee and accounting and legal fees.

The Company will pay all transfer taxes, if any, applicable to the exchange of the Old Notes pursuant to the Exchange Offer. If, however, certificates representing the New Notes or the Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered Noteholders tendered, or if a transfer tax is imposed for any reason other than the exchange of the Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering Noteholder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted to the Exchange Agent, the amount of such transfer taxes will be billed directly to such tendering Noteholder.

No person has been authorized to give any information or to make any representations in connection with the Exchange Offer other than those contained in this Prospectus. If given or made, such information or representations should not be relied upon as having been authorized by the Company. Neither the delivery of this Prospectus nor any exchange made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as of which information is given herein. The Exchange Offer is not being made to (nor will tenders be accepted from or on behalf of) Noteholders in any jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction.

#### ACCOUNTING TREATMENT

The New Notes will be recorded by the Company at the same carrying value as the Old Notes, which is face value, as recorded in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized. The costs of the Exchange Offer will be expensed over the term of the New Notes.

#### CONSEQUENCES OF FAILURE TO EXCHANGE

Noteholders who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon. In general, the Old Notes



may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not intend to register the Old Notes under the Securities Act. The Company believes that, based upon interpretations contained in no-action letters issued to third parties by the staff of the Commission, the New Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for resale, resold or otherwise transferred by Noteholders thereof (other than any such Noteholder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Noteholders' business and such Noteholders have no arrangement with any person to participate in the distribution of such Old Notes, and provided, further, that each broker-dealer that receives New Notes for its own account in exchange for Old Notes must acknowledge that it will deliver a Prospectus in connection with any resale of such New Notes. See "Plan of Distribution." If any Noteholder (other than a broker-dealer described in the preceding sentence) has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Noteholder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. In addition, to comply with the securities laws of certain jurisdictions, if applicable, the New Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdiction or an exemption from registration or qualification is available and is complied with.

#### DESCRIPTION OF THE NEW NOTES

##### GENERAL

The Old Notes were issued and the New Notes are to be issued under the Indenture, dated as of October 29, 1997 (the "Indenture"), among the Company, the Subsidiary Guarantors and First Trust National Association, as Trustee (the "Trustee"). The form and terms of the New Notes will be substantially identical to those of the Old Notes except that the New Notes will have been registered under the Securities Act and hence are not subject to certain transfer restrictions, registration rights and related liquidated damages applicable to the Old Notes. The Old Notes and the New Notes are referred to collectively as the "Notes."

The following is a summary of certain provisions of the Indenture and the New Notes, a copy of which Indenture and the form of New Notes is available upon request to the Company. The following summary of certain provisions of the Indenture and the New Notes, does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture and the New Notes, including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act of 1939, as amended. As used in this "Description of the New Notes" section, references to the "Company" include only International Logistics Limited and not its Subsidiaries.

Principal of, premium, if any, and interest on the New Notes will be payable, and the New Notes may be exchanged or transferred, at the office or agency of the Company in the Borough of Manhattan, The City of New York, which initially shall be the corporate trust office of the Trustee's agent, at First Trust New York, 100 Wall Street, 20th Floor, New York, New York 10005, except that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register.

The New Notes will be issued only in fully registered form, without coupons, in denominations of \$1,000 and any integral multiple of \$1,000. See "--Book Entry, Delivery and Form." No service charge shall be made for any registration or exchange of the New Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

##### TERMS OF THE NEW NOTES

The New Notes will be unsecured senior obligations of the Company, limited to \$110.0 million aggregate principal amount, and will mature on October 15, 2007. The New Notes will bear interest at the rate per annum shown on the cover page hereof from October 29, 1997, or from the most recent date to which interest has been paid or provided for, payable semiannually to Holders of record at the close of business on the April 1 or October 1 immediately preceding the interest payment date on April 15 and October 15 of each year, commencing April 15, 1998. The Company will pay interest on overdue principal and, to the extent permitted by applicable law, on overdue installments of interest borne by the New Notes. Interest on the New Notes will be computed on the basis of a 360-day year of twelve 30-day months.



## OPTIONAL REDEMPTION

Except as set forth in the following paragraph, the New Notes will not be redeemable at the option of the Company prior to October 15, 2002. Thereafter, the New Notes will be redeemable, at the Company's option, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on October 15 of the years set forth below:

| <TABLE><br><CAPTION>     |                     |
|--------------------------|---------------------|
| PERIOD                   | REDEMPTION<br>PRICE |
| -----                    |                     |
| <S>                      | <C>                 |
| 2002.....                | 104.875%            |
| 2003.....                | 103.250             |
| 2004.....                | 101.625             |
| 2005 and thereafter..... | 100.000             |
| </TABLE>                 |                     |

In addition, at any time and from time to time prior to October 15, 2000, the Company may redeem in the aggregate up to 35% of the original principal amount of the New Notes with the proceeds of one or more Public Equity Offerings, at a redemption price (expressed as a percentage of principal amount) of 109.75% plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); PROVIDED, HOWEVER, that at least \$71.5 million aggregate principal amount of the Notes must remain outstanding after each such redemption.

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In the case of any partial redemption, selection of the New Notes for redemption will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no Note of \$1,000 in original principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note.

## SUBSIDIARY GUARANTIES

Each of the Company's Restricted Subsidiaries that is organized and existing under the laws of any State of the United States or the District of Columbia and that is an obligor or guarantor with respect to the New Credit Facility will irrevocably and unconditionally Guarantee, as a primary obligor and not merely as a surety, on an unsecured senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Company under the Indenture and the New Notes, whether for payment of principal of or interest on the New Notes, expenses, indemnification or otherwise (all such obligations guaranteed by the Subsidiary Guarantors being herein called the "Guaranteed Obligations"). The Subsidiary Guarantors will agree to pay, in addition to the amount stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under the Subsidiary Guaranties. Each Subsidiary Guaranty will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering such Subsidiary Guaranty voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. After the Issue Date, the Company will cause each Restricted Subsidiary that is organized and existing under the laws of any State of the United States or the District of Columbia and that becomes an obligor or guarantor with respect to any of the obligations under one or more of the Bank Credit Agreements to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will Guarantee on an unsecured senior basis the payment of the New Notes. See "Certain Covenants--Future Subsidiary Guarantors" below.

Each Subsidiary Guaranty is a continuing guarantee and shall (a) remain in full force and effect until payment in full of all the Guaranteed Obligations, (b) be binding upon each Subsidiary Guarantor and (c) inure to the benefit of and be enforceable by the Trustee, the Holders and the successors, transferees and assigns thereof. Each Subsidiary Guarantor may consolidate with, or merge into, or sell its assets to the Company or another Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Company without limitation, or with other Persons upon the terms and conditions set forth in the Indenture. See "--Certain Covenants--Merger and Consolidation." A Subsidiary Guaranty will be released

upon the sale of all the Capital Stock, or all or substantially all of the assets, of the applicable Subsidiary Guarantor if such sale is made in compliance with the Indenture.

#### RANKING

The indebtedness evidenced by the New Notes and the Subsidiary Guaranties will be senior unsecured obligations of the Company and the Subsidiary Guarantors, respectively, ranking pari passu with all other senior unsecured Indebtedness of the Company and the Subsidiary Guarantors, respectively, and senior to all Subordinated Obligations. The New Notes and the Subsidiary Guaranties will also be effectively subordinated to all Secured Indebtedness of the Company and the Subsidiary Guarantors, respectively, to the extent of the value of the assets securing such Indebtedness and to all Indebtedness and other obligations (including trade payables) of the Company's Subsidiaries other than the Subsidiary Guarantors.

As of September 30, 1997, after giving pro forma effect to the New Credit Facility and the Old Notes Offering and the application of the net proceeds therefrom, as if they had occurred on such date, the Company would not have had any outstanding Secured Indebtedness, the Subsidiary Guarantors would have had approximately \$2.0 million of outstanding Secured Indebtedness and the Company's Subsidiaries other than the Subsidiary Guarantors would have had approximately \$109.3 million of Indebtedness and other obligations (including trade payables) outstanding. Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and its Restricted Subsidiaries may incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Secured Indebtedness. See "--Certain Covenants-- Limitation on Indebtedness."

#### BOOK-ENTRY, DELIVERY AND FORM

The New Notes sold will be issued in the form of a Global Note. The Global Note will be deposited with, or on behalf of, the Depository and registered in the name of the Depository or its nominee. Except as set forth below, the Global Note may be transferred, in whole and not in part, only to the Depository or another nominee of the Depository. Investors may hold their beneficial interests in the Global Note directly through the Depository if they have an account with the Depository or indirectly through organizations which have accounts with the Depository.

New Notes that are issued as described below under "Certificated New Notes" will be issued in definitive certificated form. Upon the transfer of a New Note in definitive certificated form to a QIB, such New Note will, unless the Global Note has previously been exchanged for New Notes in definitive certificated form, be exchanged for an interest in the Global Note representing the principal amount of New Notes being transferred.

The Depository has advised the Company as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and "a clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depository was created to hold securities of institutions that have accounts with the Depository ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (which may include the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the Depository's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly.

Upon the issuance of the Global Note, the Depository will credit, on its book-entry registration and transfer system, the principal amount of the New Notes represented by such Global Note to the accounts of participants. The accounts to be credited shall be designated by the Initial Purchasers of such New Notes. Ownership of beneficial interests in the Global Note will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in the Global Note will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository (with respect to participants' interest) and such participants (with respect to the owners of beneficial interests in the Global Note other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the Global Note.

So long as the Depository, or its nominee, is the registered holder and owner of the Global Note, the Depository or such nominee, as the case may be, will be considered the sole legal owner and holder of the related New Notes for

all purposes of such New Notes and the Indenture. Except as set forth below, owners of beneficial interests in the Global Note will not be entitled to have the New Notes represented by the Global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated New Notes in definitive form and will not be considered to be the owners or holders of any New Notes under the Global Note. The Company understands that under existing industry practice, in the event an owner of a beneficial interest in the Global Note desires to take any action that the Depository, as the holder of the Global Note, is entitled to take, the Depository would authorize the participants to take such action, and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Payment of principal of and interest on New Notes represented by the Global Note registered in the name of and held by the Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner and holder of the Global Note.

The Company expects that the Depository or its nominee, upon receipt of any payment of principal of or interest on the Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note as shown on the records of the Depository or its nominee. The Company also expects that payments by participants to owners of beneficial interests in the Global Note held through such participants will be governed by standing instructions and customary practices and will be the responsibility of such participants. The Company will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note for any Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the Depository and its participants or the relationship between such participants and the owners of beneficial interests in the Global Note owning through such participants.

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Unless and until it is exchanged in whole or in part for certificated New Notes in definitive form, the Global Note may not be transferred except as a whole by the Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository.

Although the Depository has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note among participants of the Depository, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trustee nor the Company will have any responsibility for the performance by the Depository or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### CERTIFICATED NEW NOTES

The New Notes represented by the Global Note are exchangeable for certificated New Notes in definitive form of like tenor as such New Notes in denominations of \$1,000 and integral multiples thereof if (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for the Global Note or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act or (ii) the Company in its discretion at any time determines not to have all of the New Notes represented by the Global Note. Any New Note that is exchangeable pursuant to the preceding sentence is exchangeable for certificated New Notes issuable in authorized denominations and registered in such names as the Depository shall direct. Subject to the foregoing, the Global Note is not exchangeable, except for a Global Note of the same aggregate denomination to be registered in the name of the Depository or its nominee. In addition, such certificates will bear substantially the legend referred to under "Transfer Restrictions" (unless the Company determines otherwise in accordance with applicable law) subject, with respect to such New Notes, to the provisions of such legend.

Neither the Company nor the Trustee will be liable for any delay by the Depository or its nominee in indemnifying the beneficial owners of the New Notes, and the Company and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Depository or its nominee for all purposes.

#### CHANGE OF CONTROL

Upon the occurrence of any of the following events (each a "Change of Control"), each Holder shall have the right to require that the Company repurchase such Holder's New Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes

the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (i) such person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the then outstanding Voting Stock of the Company; PROVIDED, HOWEVER, that for purposes of this clause (i), the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the parent corporation;

(ii) during any period of two consecutive years after the Company's initial Public Equity Offering, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of 66 2/3% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or

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(iii) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (in each case other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of the Company are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving corporation or a parent corporation that owns all of the capital stock of such corporation that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving corporation or such parent corporation, as the case may be.

Within 30 days following any Change of Control, unless notice of redemption of the New Notes has been given pursuant to the provisions of the Indenture described under "--Optional Redemption" above, the Company shall mail a notice to the Trustee and to each Holder stating: (1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's New Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date); (2) the circumstances and relevant facts regarding such Change of Control; (3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and (4) the instructions determined by the Company, consistent with the covenant described hereunder, that a Holder must follow in order to have its New Notes purchased.

The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of New Notes pursuant to the covenant described hereunder. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the covenant described hereunder by virtue thereof.

The Change of Control purchase feature is a result of negotiations between the Company and the Initial Purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Company would decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Restrictions on the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness are contained in the covenant described under "--Certain Covenants--Limitation on Indebtedness." Such restrictions can only be waived with the consent of the Holders of a majority in principal amount of the New Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

If a Change of Control offer is made, there can be no assurance that the Company will have available funds sufficient to pay the purchase price for all of the New Notes that might be delivered by Holders seeking to accept the Change of Control offer. The failure of the Company to make or consummate the Change of

Control offer or pay the purchase price when due will give the Trustee and the Holders the rights described under "--Defaults."

The existence of a Holder's right to require the Company to offer to repurchase such Holder's New Notes upon a Change of Control may deter a third party from acquiring the Company in a transaction which constitutes a Change of Control.

The New Credit Facility contains, and future indebtedness of the Company may contain, prohibitions on the occurrence of certain events that would constitute a Change of Control or require such indebtedness to be repaid or repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the New Notes will cause a default under the New Credit Facility, and could cause a default under such other indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the New Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the New Notes.

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#### CERTAIN COVENANTS

The Indenture contains covenants including, among others, the following:

LIMITATION ON INDEBTEDNESS. (a) (i) The Company shall not Incur, directly or indirectly, any Indebtedness unless, on the date of such Incurrence, the Consolidated Coverage Ratio exceeds 2.25 to 1.0 and (ii) none of the Restricted Subsidiaries of the Company shall Incur, directly or indirectly, any Indebtedness unless, on the date of such Incurrence, the Consolidated Coverage Ratio exceeds 2.50 to 1.0.

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries may Incur any or all of the following Indebtedness: (1) Indebtedness (including reimbursement obligations in respect of letters of credit outstanding under the Bank Credit Agreement that are Indebtedness) Incurred pursuant to any Bank Credit Agreement or any other credit or loan agreement in an aggregate principal amount which, when taken together (without duplication) with the principal amount of all other Indebtedness Incurred pursuant to this clause (1) and then outstanding, does not exceed \$100.0 million; (2) Indebtedness of the Company or any Restricted Subsidiary owed to and held by the Company or any Restricted Subsidiary; PROVIDED, HOWEVER, that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to another Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the Company or such Restricted Subsidiary; (3) the Notes, the Subsidiary Guaranties or any Indebtedness, the proceeds of which are used to Refinance the Notes in full; (4) Indebtedness (including reimbursement obligations in respect of letters of credit or guaranties outstanding under Foreign Credit Agreements that are Indebtedness) Incurred pursuant to any Foreign Credit Agreement; provided, that the aggregate principal amount of all such Indebtedness outstanding at any time under all such Foreign Credit Agreements, shall not exceed \$30.0 million; (5) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2), (3) or (4) of this covenant); (6) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (3), (5) or this clause (6); (7) Indebtedness in respect of customs duties guarantees, equipment leases, performance bonds, bankers' acceptances, letters of credit and surety or appeal bonds entered into by the Company or any Restricted Subsidiary in the ordinary course of business; (8) Hedging Obligations consisting of Interest Rate Agreements directly related to Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary pursuant to the Indenture; (9) Indebtedness of the Company or any Restricted Subsidiary consisting of obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets by the Company or any Restricted Subsidiary permitted under the Indenture; (10) Indebtedness incurred by the Company or any Restricted Subsidiary, constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including, without limitation, letters of credit in respect of workers' compensation claims, self-insurance or similar matters, or other Indebtedness with respect to reimbursement obligations regarding workers' compensation claims, PROVIDED, HOWEVER, that upon the drawing of such letters of credit or the Incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or Incurrence; and (11) Indebtedness in an aggregate principal amount which, together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (10) above or paragraph (a)), does not exceed \$15.0 million at any one time outstanding.

(c) Notwithstanding the foregoing, neither the Company nor any Restricted Subsidiary shall incur any Indebtedness pursuant to the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations unless such Indebtedness shall be subordinated to the Notes or the Subsidiary Guaranties, as applicable, to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with the covenant entitled "--Limitation on Indebtedness," (i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the above clauses and (ii) an item of Indebtedness may be divided and classified in more than one of the types of Indebtedness described above.

**LIMITATION ON LIENS.** The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, securing any obligation unless concurrently with the creation of such Lien effective provision is made to secure the Notes and the Subsidiary Guaranties equally and ratably with such obligation for so long as such obligation is so secured; PROVIDED, THAT, if such obligation is a Subordinated Obligation, the Lien securing such obligation shall be subordinated and junior to the Lien securing the Notes and the Subsidiary Guaranties with the same or lesser relative priority as such Subordinated Obligation shall have been with respect to the Notes

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and the Subsidiary Guaranties. The preceding restriction shall not require the Company or any Restricted Subsidiary to secure the Notes or the Subsidiary Guaranties if the Lien consists of the following:

(a) Liens on accounts receivable of the Company and its Restricted Subsidiaries to secure Indebtedness permitted to be incurred pursuant to paragraph (a) or clause (7) or (10) of paragraph (b) of the covenant described under "--Limitation on Indebtedness;"

(b) Liens created by the Indenture, Liens under any Bank Credit Agreement, Liens under any Foreign Credit Agreement and Liens existing as of the Issue Date;

(c) Permitted Liens;

(d) Liens to secure Indebtedness issued by the Company or a Restricted Subsidiary for the purpose of financing all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business after the Issue Date; PROVIDED, HOWEVER, that (i) the aggregate principal amount (or accreted value in the case of Indebtedness issued at a discount) of Indebtedness so issued shall not exceed the lesser of the cost or fair market value, as determined in good faith by the Board of Directors of the Company, of the assets or property so acquired or constructed, (ii) the Indebtedness secured by such Liens shall have been permitted to be Incurred under the "--Limitation on Indebtedness" covenant and (iii) such Liens shall not encumber any other assets or property of the Company or any of its Restricted Subsidiaries other than such assets or property or any improvement on such assets or property and shall attach to such assets or property within 90 days of the construction or acquisition of such assets or property;

(e) Liens on the assets or property of a Restricted Subsidiary existing at the time such Restricted Subsidiary becomes a Restricted Subsidiary and not issued as a result of (or in connection with or in anticipation of) such Restricted Subsidiary becoming a Restricted Subsidiary; PROVIDED, HOWEVER, that such Liens do not extend to or cover any other property or assets of the Company or any of its other Restricted Subsidiaries;

(f) Liens securing Capital Lease Obligations Incurred in accordance with the "--Limitation on Indebtedness" covenant;

(g) Liens with respect to Sale/Leaseback Transactions or other Indebtedness permitted by clause (b)(11) of the "--Limitation on Indebtedness" covenant;

(h) Liens securing Indebtedness issued to Refinance Indebtedness which has been secured by a Lien permitted under the Indenture and is permitted to be Refinanced under the Indenture; PROVIDED, HOWEVER, that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries not securing the Indebtedness so Refinanced; or

(i) Liens on assets of the Company, or any of its Restricted Subsidiaries, securing Indebtedness in an aggregate principal amount not to exceed \$10.0 million.

**LIMITATION ON SALE/LEASEBACK TRANSACTIONS.** The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction



with respect to any property unless (i) the Company or such Restricted Subsidiary would be (A) in compliance with the covenants described under "--Limitation on Indebtedness" immediately after giving effect to such Sale/Leaseback Transaction and (B) entitled to create a Lien on such property securing the Attributable Debt with respect to such Sale/ Leaseback Transaction without securing the Notes pursuant to the covenant described under "--Limitation on Liens," (ii) the net proceeds received by the Company or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the fair market value (as determined by the Board of Directors of the Company) of such property and (iii) the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with the covenant described under "--Limitation on Sales of Assets and Subsidiary Stock."

LIMITATION ON RESTRICTED PAYMENTS. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes, and after giving effect to, the proposed Restricted Payment: (i) a Default shall have occurred and be continuing (or would result therefrom); (ii) the Company or such Restricted Subsidiary, as applicable, is not able to Incur an additional \$1.00 of Indebtedness pursuant to clause (i) or clause (ii), as applicable, of paragraph (a) of the covenant described under "--Limitation on Indebtedness"; or (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of: (A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Notes are originally issued to the end of the most recently ended fiscal quarter for which financial statements are available at the time of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds received by the Company from

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capital contributions or the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Company); (C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date, of any Indebtedness of the Company or a Restricted Subsidiary for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange), whether pursuant to the terms of such Indebtedness or pursuant to an agreement with a creditor to engage in an equity for debt exchange; and (D) an amount equal to the sum of (i) the net reduction in Investments in Unrestricted Subsidiaries resulting from the receipt of dividends, repayments of loans or advances or other transfers of assets or proceeds from the disposition of Capital Stock or other distributions or payments, in each case to the Company or any Restricted Subsidiary from, or with respect to, interests in Unrestricted Subsidiaries, and (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; PROVIDED, HOWEVER, that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary subsequent to the Issue Date.

(b) The provisions of the foregoing paragraph (a) shall not prohibit: (i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than (A) Disqualified Stock or (B) Capital Stock issued or sold to a Subsidiary of the Company) or out of the proceeds of a substantially concurrent capital contribution to the Company; PROVIDED, HOWEVER, that (x) such purchase, capital contribution or redemption shall be excluded in the calculation of the amount of Restricted Payments and (y) the Net Cash Proceeds from such sale of Capital Stock or capital contribution shall be excluded from clause (iii) (B) of paragraph (a) above; (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness of the Company which is permitted to be Incurred pursuant to the covenant described under "--Limitation on Indebtedness"; PROVIDED, HOWEVER, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments; (iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; PROVIDED, HOWEVER, that such dividend shall be included in the calculation of the amount of Restricted Payments; (iv) the repurchase of Capital Stock of the Company from directors, officers or employees of the Company pursuant to the terms of an employee benefit plan or employment or other agreement; provided that the aggregate amount of all such repurchases shall not exceed \$3.0 million in any fiscal year, and \$10.0 million in total; (v) up to an aggregate of \$10.0 million of Restricted Payments by the Company, so long as after giving effect to any such Restricted Payment on a pro forma basis the Company could incur an additional \$1.00 of Indebtedness pursuant to



clause (i) of paragraph (a) of the covenant described under "-- Limitation on Indebtedness"; and (vi) Investments in Unrestricted Subsidiaries or joint ventures in an amount not to exceed \$10.0 million at any time outstanding.

LIMITATION ON RESTRICTIONS ON DISTRIBUTIONS FROM RESTRICTED SUBSIDIARIES. The Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary (a) to pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company, (b) to make any loans or advances to the Company or (c) to transfer any of its property or assets to the Company, except: (i) any encumbrance or restriction pursuant to any Bank Credit Agreement, any Foreign Credit Agreement or any other agreement in effect at or entered into on the Issue Date; (ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date; (iii) any encumbrance or restriction pursuant to an agreement effecting Refinancing Indebtedness Incurred pursuant to an agreement referred to in clause (i) or (ii) of this covenant or this clause (iii) or contained in any amendment to an agreement referred to in clause (i) or (ii) of this covenant or this clause (iii); PROVIDED, HOWEVER, that the encumbrances and restrictions with respect to any such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less favorable to the Noteholders than encumbrances and restrictions with respect to such Restricted Subsidiary contained in such agreements; (iv) any such encumbrance or restriction (A) consisting of customary non-assignment provisions in leases to the extent such provisions restrict the subletting, assignment or transfer of the lease or the property leased thereunder or in purchase money financings or (B) by virtue of any Indebtedness, transfer, option or right with respect to, or any Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture; (v) in the case of clause (c) above, restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreements or mortgages; (vi) encumbrances or restrictions imposed by operation of any applicable law, rule, regulation or order; (vii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted

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Subsidiary pending the closing of such sale or disposition and (viii) any restriction imposed during an event of default under an agreement governing Indebtedness of any Foreign Subsidiary so long as such Indebtedness is permitted by the covenant entitled "-- Limitation on Indebtedness."

LIMITATION ON SALES OF ASSETS AND SUBSIDIARY STOCK. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition, and at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents and (ii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be) (A) FIRST, to either (i) prepay, repay, redeem or purchase (and permanently reduce the commitments under) Indebtedness under any Bank Credit Agreement or any Foreign Credit Agreement or that is otherwise secured by its assets subject to such Asset Disposition within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash (the "Receipt Date") or (ii) to the extent the Company elects, to acquire Additional Assets; PROVIDED, HOWEVER, that the Company shall be required to commit such Net Available Cash to the acquisition of Additional Assets within one year from the later of the date of such Asset Disposition or the Receipt Date and shall be required to consummate the acquisition of such Additional Assets within 18 months from the Receipt Date; (B) SECOND, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), to make an offer pursuant to paragraph (b) below to the Holders to purchase Notes pursuant to and subject to the conditions contained in the Indenture; and (C) THIRD, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) or (B) to any other application or use not prohibited by the Indenture. Notwithstanding the foregoing provisions of this paragraph, the Company and the Restricted Subsidiaries shall not be required to apply the Net Available Cash in accordance with this paragraph except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this paragraph exceeds \$5.0 million (at which time, the entire unutilized Net Available Cash, and not just the amount in excess of \$5.0 million, shall be applied pursuant to this paragraph). Pending application of Net Available Cash

pursuant to this covenant, such Net Available Cash shall be invested in Permitted Investments.

For the purposes of this covenant, the following are deemed to be cash or cash equivalents: (x) the express assumption of Indebtedness of the Company or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition and (y) securities received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash within 90 days of closing the transaction.

(b) In the event of an Asset Disposition that requires the purchase of the Notes pursuant to clause (a) (ii) (B) above, the Company will be required to purchase Notes tendered pursuant to an offer by the Company for the Notes at a purchase price of 100% of their principal amount (without premium) plus accrued but unpaid interest in accordance with the procedures (including prorating in the event of oversubscription) set forth in the Indenture. If the aggregate purchase price of Notes tendered pursuant to such offer is less than the Net Available Cash allotted to the purchase thereof, the Company will be required to apply the remaining Net Available Cash in accordance with clause (a) (ii) (C) above. The Company shall not be required to make such an offer to purchase Notes pursuant to this covenant if the Net Available Cash available therefor is less than \$5.0 million (which lesser amount shall be carried forward for purposes of determining whether such an offer is required with respect to any subsequent Asset Disposition).

(c) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this clause by virtue thereof.

LIMITATION ON TRANSACTIONS WITH AFFILIATES. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company other than the Company or a Restricted Subsidiary (an "Affiliate Transaction") unless the terms thereof (1) are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of such transaction in a comparable transaction in arm's-length dealings with a Person who is not such an Affiliate, (2) if such Affiliate Transaction involves an amount in excess of \$2.0 million, (i) are set forth in writing and (ii) have been approved by a majority of the members of the Board of Directors having no material personal financial stake in such Affiliate Transaction and (3) if such Affiliate Transaction involves an amount in excess of \$7.5 million, have been determined by a nationally recognized investment banking firm to be fair, from a financial standpoint, to the Company or its Restricted Subsidiary, as the case may be.

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(b) The provisions of the foregoing paragraph (a) shall not prohibit (i) any Permitted Investment or Restricted Payment permitted to be made pursuant to the covenant described under "---Limitation on Restricted Payments," or any payment or transaction specifically excepted from the definition of Restricted Payment, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, collective bargaining arrangements, employee benefit plans, health and life insurance plans, deferred compensation plans, directors' and officers' indemnification agreements, retirement or savings plans, stock options and stock ownership plans or any other similar arrangement heretofore or hereafter entered into in the ordinary course of business and approved by the board of directors of the Company or any Restricted Subsidiary, (iii) the grant of stock options or similar rights to employees and directors pursuant to plans approved by the Board of Directors or the board of directors of the relevant Restricted Subsidiary, (iv) loans or advances to officers, directors or employees in the ordinary course of business or pursuant to compensation plans or employment agreements approved by the board of directors of the Company or any Restricted Subsidiary, (v) the payment of reasonable fees to directors of the Company and its Restricted Subsidiaries who are not employees of the Company or its Restricted Subsidiaries, (vi) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (vii) the purchase of or the payment of Indebtedness of or monies owed by the Company or any of its Restricted Subsidiaries for goods or materials purchased, or services received, in the ordinary course of business, (viii) management agreements between the Company or any of its Restricted Subsidiaries and one or more Permitted Holders, or any of their respective Affiliates providing for management fees not to exceed \$350,000 per year to WESS or any of its Affiliates and \$350,000 per year to Oaktree or any of its Affiliates; (ix) transaction fees to WESS, Oaktree, or any of their respective Affiliates for services provided in connection with the LIW Acquisition, the New Credit Facility and the Old Notes Offering in an amount not to exceed \$2.5 million in the aggregate and (x) the performance of the agreement between WESS, W.E. Myers & Co. and William E. Myers, Jr. as in effect on the Issue Date.

LIMITATION ON THE SALE OR ISSUANCE OF CAPITAL STOCK OF RESTRICTED SUBSIDIARIES. The Company shall not sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary, and shall not permit any Restricted Subsidiary, directly or indirectly, to issue or sell or otherwise dispose of any shares of its Capital Stock to any person (other than to the Company or a Wholly Owned Subsidiary) or permit any Person (other than the Company or a Wholly Owned Subsidiary) to own any Capital Stock of a Restricted Subsidiary, if in either case as a result thereof such Restricted Subsidiary would no longer be a Restricted Subsidiary; PROVIDED, HOWEVER, this provision shall not prohibit (x) the Company or any Restricted Subsidiary from selling, leasing or otherwise disposing of all of the Capital Stock of any Restricted Subsidiary or (y) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with the Indenture. The foregoing shall not apply to any Lien granted on the Capital Stock of a Restricted Subsidiary.

MERGER AND CONSOLIDATION. (a) The Company shall not, and shall not cause or permit any Subsidiary Guarantor to, and no Subsidiary Guarantor (other than any Subsidiary Guarantor whose Subsidiary Guaranty is to be released in accordance with the terms of the Subsidiary Guaranty and the Indebtedness in connection with the provisions of "--Certain Covenants--Limitation on Sale of Assets and Subsidiary Stock") shall consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, its assets substantially as an entirety to, any Person (other than, in the case of a Subsidiary Guarantor, to the Company or any other Subsidiary Guarantor), unless: (i) the resulting, surviving or transferee Person (the "Successor Company") shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company or, in the case of a Subsidiary Guarantor, the Company or a Subsidiary Guarantor) shall expressly assume, by an indenture supplemental thereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture or of a Subsidiary Guarantor under the applicable Subsidiary Guaranty, as applicable; (ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing; (iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur an additional \$1.00 of Indebtedness pursuant to paragraph (a)(i) in the case of the Company or paragraph (a)(ii) in the case of a Subsidiary Guarantor of the covenant described under "--Certain Covenants--Limitation on Indebtedness"; (iv) immediately after giving effect to such transaction, the Successor Company shall have Consolidated Net Worth in an amount that is not less than the Consolidated Net Worth of the Company or such Subsidiary Guarantor, as applicable, prior to such transaction minus any costs incurred in connection with such transaction; and (v) the Company or such Subsidiary Guarantor, as applicable, shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

The Successor Company shall be the successor to the Company or the Subsidiary Guarantor, as applicable, and shall succeed to, and be substituted for, and may exercise every right and power of, the Company or the Subsidiary Guarantor, as applicable, under the Indenture, but the predecessor company, only in the case of a conveyance, transfer or lease, shall not be released from the obligation to pay the principal of and interest on the Notes.

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Notwithstanding the foregoing, (i) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) the Company may merge with an Affiliate incorporated for the purpose of reincorporating the Company in another jurisdiction to realize tax or other benefits.

FUTURE SUBSIDIARY GUARANTORS. The Company shall cause each Restricted Subsidiary that is organized and existing under the laws of any State of the United States or the District of Columbia and that at any time becomes an obligor or guarantor with respect to any obligations under one or more Bank Credit Agreements to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture. Each Subsidiary Guaranty will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering such Subsidiary Guaranty voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SEC REPORTS. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC (unless the SEC will not accept such a filing) and provide within 15 days to the Trustee and Noteholders such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation

subject to such Sections, such information, documents and other reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections.

#### DEFAULTS

An Event of Default is defined in the Indenture as (i) a default in the payment of interest on the Notes when due, continued for 30 days, (ii) a default in the payment of principal on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise, (iii) the failure by the Company to comply with its obligations under "Certain Covenants--Merger and Consolidation" above, (iv) the failure by the Company to comply for 30 days after notice with any of its obligations in the covenants described above under "Change of Control" (other than a failure to purchase Notes) or under "Certain Covenants--Limitation on Indebtedness," "Limitation on Restricted Payments," "Limitation on Sales of Assets and Subsidiary Stock," or "Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries," (v) the failure by the Company to comply for 60 days after the Company receives written notice with its other agreements contained in the Indenture, (vi) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the Holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds \$10.0 million (the "cross acceleration provision"), (vii) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary (the "bankruptcy provisions") or (viii) any judgment or decree for the payment of money in excess of \$10.0 million is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 days following entry of such judgment and is not discharged, bonded, waived or stayed within 30 days after notice (the "judgment default provision"). However, a default under clause (iv) or (v) will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified after receipt of such notice.

If an Event of Default (other than the bankruptcy provisions relating to the Company) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default relating to the bankruptcy provisions relating to the Company occurs and is continuing, the principal of and interest on all the Notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in principal amount of the outstanding Notes may by notice to the Trustee rescind any acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except non-payment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a

majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Holder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of or interest on any Note, the Trustee may withhold notice if and so long as the board of directors, the executive committee or a committee of its trust officers determines that withholding notice is not opposed to the interest

of the Holders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

#### AMENDMENTS AND WAIVERS

Subject to certain exceptions, the Indenture may be amended with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange for the Notes) and any past default or compliance with any provisions may also be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding.

Without the consent of each Holder of an outstanding Note affected thereby, no amendment may (i) reduce the amount of Notes whose Holders must consent to an amendment, (ii) reduce the rate of or extend the time for payment of interest on any Note, (iii) reduce the principal of or extend the Stated Maturity of any Note, (iv) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "--Optional Redemption" above, (v) make any Note payable in money other than that stated in the Note, (vi) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes, (vii) make any change in the amendment provisions which require each Holder's consent or in the waiver provisions or (viii) affect the ranking of the Notes in any material respect.

Without the consent of any Holder, the Company and the Trustee may amend the Indenture to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a successor corporation of the obligations of the Company under the Indenture, to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code), to add guarantees with respect to the Notes, to secure the Notes, to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company, to make any change that does not adversely affect the rights of any Holder or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, the Company is required to mail to Holders a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

#### TRANSFER

The New Notes will be issued in registered form and will be transferable only upon the surrender of the New Notes being transferred for registration of transfer. The Company may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges. The Company is not required to transfer or exchange any New Note selected for redemption or repurchase or to transfer or exchange any New Note for a period of 15 days prior to selection of New Notes to be redeemed or repurchased.

#### DEFEASANCE

The Company at its option at any time may terminate all of its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. In addition, the Company at its option at any time may terminate its obligations under "Change of Control" and under the covenants described under "Certain Covenants" (other than the covenant described under "--Merger and Consolidation") (and any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes), the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries and the judgment default provision described under "--Defaults" above and the limitations contained in clauses (iii) and (iv) of the first paragraph under "-- Certain Covenants--Merger and Consolidation"

above ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (iv), (vi), (vii) (with respect only to Significant Subsidiaries) or (viii) under "--Defaults" above or because of the failure of the Company to comply with clause (iii) or (iv) of the first paragraph under "--Certain Covenants -Merger and Consolidation" above.

In order to exercise either defeasance option, the Company must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of principal of and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

#### SATISFACTION AND DISCHARGE

The Indenture will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when: (i) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid) have been delivered to the Trustee for cancellation or (b) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee an amount in United States dollars sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for the principal of, premium, if any, and interest to the date of deposit; (ii) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company; and (iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

#### NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS

The Indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Notes or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such waiver is against public policy.

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#### CONCERNING THE TRUSTEE

First Trust National Association is to be the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent with regard to the Notes. Such bank may also act as a depository of funds for, or make loans to and perform other services for, the Company or its affiliates in the ordinary course of business in the future. The corporate trust office of the Trustee is located at First Trust New York, 100 Wall Street, 20th Floor, New York, New York, 10005.

The Holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that if an Event of Default occurs (and is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense and then only to the extent required by the terms of the Indenture. The Trustee may resign at any time or may be removed by the Company. If the Trustee resigns, is removed or becomes incapable of acting as Trustee or if a vacancy occurs in the office of the Trustee for any cause, a successor Trustee shall be appointed in accordance with the provisions of the Indenture.



If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the Indenture. The Indenture also contains certain limitations on the right of the Trustee, as a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received by it in respect of any such claims, as security or otherwise.

#### GOVERNING LAW

The Indenture provides that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

#### CERTAIN DEFINITIONS

"Additional Assets" means (i) any property or assets (other than Indebtedness and Capital Stock) in a Related Business, (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; PROVIDED, HOWEVER, that any such Restricted Subsidiary described in clause (ii) or (iii) above is primarily engaged in a Related Business.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger or consolidation (each referred to for the purposes of this definition as a "disposition"), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (ii) all or substantially all the assets (other than Capital Stock of an Unrestricted Subsidiary) of any division or line of business of the Company or any Restricted Subsidiary or (iii) any other assets (other than Capital Stock of an Unrestricted Subsidiary) of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (other than, in the case of (i), (ii) and (iii) above, (x) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary and (y) for purposes of the covenant described under "--Certain Covenants-- Limitation on Sales of Assets and Subsidiary Stock" only, a disposition that constitutes a Restricted Payment permitted by the covenant described under "--Certain Covenants - Limitation on Restricted Payments" or a disposition specifically excepted from the definition of Restricted Payment); PROVIDED, HOWEVER, that Asset Disposition shall not include (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration less than or equal to \$1.0 million, (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company as permitted under "--Certain Covenants--Merger and Consolidation" and "--Certain Covenants--Limitation on Sales of Assets and Subsidiary Stock" or (c) the disposition of assets of the Company or any Restricted Subsidiary for

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aggregate non-cash consideration not in excess of \$20.0 million so long as the pro forma Consolidated Coverage Ratio after giving effect to any such disposition is at least 2.5 to 1.0. The foregoing shall not apply to any Lien granted on the Capital Stock of a Restricted Subsidiary.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Credit Agreement" means the credit agreement, dated as of the Issue Date, among the Company, ING (U.S.) Capital Corporation, as agent, and the other



financial institutions party thereto, as such agreement, in whole or in part, may be amended, renewed, extended, increased (but only so long as such increase is permitted under the terms of the Indenture), substituted, refinanced, restructured, replaced (including, without limitation, any successive renewals, extensions, increases, substitutions, refinancings, restructurings, replacements, supplements or other modifications of the foregoing).

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligations" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days (or, if less than 45 days after the end of such fiscal quarter, ending as of the date the consolidated financial statements of the Company shall be available) prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Restricted Subsidiary (x) has Incurred any Indebtedness (other than Indebtedness Incurred for working capital purposes under a Bank Credit Agreement) since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period or (y) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination, or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such four quarter period), (2) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to the EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and

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its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period or (4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall

have made any Asset Disposition, Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Company or its Restricted Subsidiaries, (i) interest expense attributable to Capital Lease Obligations, (ii) amortization of debt discount and debt issuance costs, (iii) capitalized interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs associated with Hedging Obligations (including amortization of fees), (vii) dividends paid or payable in respect of any Disqualified Stock of the Company, (viii) cash dividends paid or payable by the Company and all dividends paid or payable by Restricted Subsidiaries, in each case in respect of all Preferred Stock held by Persons other than the Company or a Wholly Owned Subsidiary, (ix) interest incurred in connection with Investments in discontinued operations and (x) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary.

"Consolidated Net Income" means, for any period, the net income of the Company and its consolidated Subsidiaries; PROVIDED, HOWEVER, that there shall not be included in such Consolidated Net Income: (i) any net income of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) with respect to the calculation of EBITDA only, the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income up to the aggregate amount invested by the Company or any Restricted Subsidiary in such Person during such period; (ii) any net income (or loss) of any Person acquired by the Company or a Subsidiary of the Company in a pooling of interests transaction for any period prior to the date of such acquisition; (iii) any net income of any Restricted Subsidiary to the extent that such Restricted Subsidiary is subject to restrictions, directly or indirectly, prohibiting the payment of dividends, the repayment of intercompany debt and the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income up to the aggregate amount invested by the Company or any Restricted Subsidiary in such Person during such period; (iv) any gain or loss realized upon the sale or other disposition of any assets of the Company or its consolidated Subsidiaries (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person; (v) extraordinary gains or losses; and (vi) the cumulative effect of a change in accounting principles.

"Consolidated Net Worth" means the total of the amounts shown on the balance sheet of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, as of the most recent fiscal quarter of the Company for which financial statements are available, as (i) the par or stated value of all outstanding Capital Stock of the Company plus

(ii) paid-in capital or capital surplus relating to such Capital Stock plus  
(iii) any retained earnings or earned surplus less (A) any accumulated deficit and (B) any amounts attributable to Disqualified Stock.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement to which such Person is a party or a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means The Depository Trust Company, its nominees and their respective successors.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (other than as a result of a Change of Control) (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the Stated Maturity of the Notes; PROVIDED, HOWEVER, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions described under "--Certain Covenants--Limitation on Sales of Assets and Subsidiary Stock" and "Change of Control."

"EBITDA" for any period means the sum of Consolidated Net Income plus Consolidated Interest Expense plus the following to the extent deducted in calculating such Consolidated Net Income: (a) all income tax expense of the Company, (b) depreciation expense, (c) amortization expense and (d) all other non-cash items reducing such Consolidated Net Income (excluding any non-cash item to the extent it represents an accrual of, or reserve for, cash disbursement for any subsequent period) less all non-cash items increasing such Consolidated Net Income (such amount calculated pursuant to this clause (d) not to be less than zero), in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization of, a Subsidiary of the Company shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Subsidiary was included in calculating Consolidated Net Income.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Foreign Credit Agreement" means any revolving credit agreement, invoice discounting, overdraft or guarantee facility or other similar arrangement providing for the Incurrence of Indebtedness by any Foreign Subsidiary, and the agreements governing such Indebtedness which may, in whole or in part, be amended, renewed, extended, substituted, refinanced, restructured, replaced (including, without limitation, any successive renewals, extensions, substitutions, refinancing, restructuring, replacement, supplements or other modifications of the foregoing).

"Foreign Subsidiary" means a Restricted Subsidiary that is incorporated in a jurisdiction other than the United States or a State thereof or the District of Columbia and with respect to which more than 80% of any of its sales, earnings or assets (determined on a consolidated basis in accordance with GAAP) are located in, generated from or derived from operations located in territories outside of the United States of America and jurisdictions outside the United States of America.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth (i) in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) in statements and pronouncements of the Financial Accounting Standards Board, (iii) in such other statements by such other entity as approved by a significant segment of the accounting profession, and (iv) in the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of agreements to keep well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); PROVIDED, HOWEVER, that the

term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" or "Noteholder" means the Person in whose name a Note is registered on the Registrar's books.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for Indebtedness; provided, however, that any Indebtedness of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning. The accretion of principal of a non-interest bearing or other discount security shall be deemed the Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication), (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property (which purchase price is due more than one year after taking title of such property), all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon, or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends); (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Subsidiary Guaranty (but only to the extent of the amount actually guaranteed); (vii) all obligations of the type referred to in clauses (i) through (vi) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and (viii) to the extent not otherwise included in this definition, Hedging Obligations of such Person. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date. For purposes of clarification, (i) Indebtedness shall not include undrawn commitments under the Bank Credit Agreement and the Foreign Credit Agreement or any obligation to purchase Capital Stock of LIW pursuant to option agreements, purchase agreements or otherwise or the Company's Capital Stock pursuant to employment agreements and otherwise and (ii) any Guarantee of Indebtedness shall not be deemed to be an Incurrence of Indebtedness to the extent that the Indebtedness so Guaranteed is Incurred by the Company or any Restricted Subsidiary as permitted pursuant to the terms of the Indenture.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed solely to protect the Company or any Restricted Subsidiary against fluctuations in interest rates.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the Person making the advance or loan) or other extensions of credit (including by way of Subsidiary Guaranty or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under "--Certain Covenants-- Limitation on

Restricted Payments," (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; PROVIDED, HOWEVER, that if such designation is made in connection with the acquisition of such Subsidiary or the assets owned by such Subsidiary, the "Investment" in such Subsidiary shall be deemed to be the consideration paid in connection with such acquisition; PROVIDED FURTHER, HOWEVER, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an

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Unrestricted Subsidiary in an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation, and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"Issue Date" means the date of original issuance of the Old Notes.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or required by law to close. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record shall not be affected.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Moody's" means Moody's Investors Service, Inc.

"Net Available Cash" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other noncash form) in each case net of (i) all legal, title and recording tax expenses, brokerage commissions, underwriting discounts or commissions or sales commissions and other reasonable fees and expenses (including, without limitation, fees and expenses of counsel, accountants and investment bankers) related to such Asset Disposition or converting to cash any other proceeds received, and any relocation and severance expenses as a result thereof, and all Federal, state, provincial, foreign and local taxes required to be accrued or paid as a liability under GAAP, as a consequence of such Asset Disposition, (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition or made in order to obtain a necessary consent to such Asset Disposition or to comply with applicable law, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (iv) appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Disposition. Further, with respect to an Asset Disposition by a Subsidiary which is not a Wholly Owned Subsidiary, Net Available Cash shall be reduced pro rata for the portion of the equity of such Subsidiary which is not owned by the Company.

"Net Cash Proceeds," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof. In addition, for purposes of the calculations described in "--Certain Covenants--Limitation on Restricted Payments," Net Cash Proceeds shall also mean any cash amounts paid to the Company by members of management in respect of all promissory notes outstanding on the Issue Date and any amounts reflected on the records of the Company as additional paid in capital or equity contributions made in respect of employment-related stock price guarantees entered into prior to the Issue Date.

"Permitted Holders" means (i) William E. Simon & Sons, L.L.C. and its Affiliates, (ii) Oaktree Capital Management, LLC and its Affiliates, including any partnerships, separate accounts, or other entities managed by Oaktree and (iii) Roger E. Payton. For purposes of clarification, The TCW Group, Inc., Logistical Simon, L.L.C., OCM Principal Opportunities Fund, L.P., TCW Special Credits Fund V--The Principal Fund and their respective Affiliates are Permitted

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (i) a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Related Business; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business; (iii) Temporary Cash Investments; (iv) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately

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to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary, including without limitation, loans or advances made to employees in respect of stock purchase or other employee benefit plans; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments; and (viii) any Person to the extent such Investment represents the non-cash portion of the consideration received for a disposition of Assets as permitted pursuant to the covenant described under "--Certain Covenants--Limitation on Sales of Assets and Subsidiary Stock" and as described in clause (c) of the definition of Asset Disposition.

"Permitted Liens" means, with respect to any Person, (a) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business; (b) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings; (c) Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review or time for appeal has not yet expired; (d) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (e) Liens in favor of issuers of surety bonds or letters of credit issued pursuant to the request of, and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness; (f) survey exceptions, encumbrances, easements or reservations of or rights of others for licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (g) Liens securing an Interest Rate Agreement so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same property securing the Interest Rate Agreement; and (h) leases and subleases of real property which do not interfere with the ordinary conduct of the business of such Person, and which are made on customary and usual terms applicable to similar properties.

"Person" means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"principal" of a Note means the principal of the Note plus the premium, if any, payable on the Note which is due or overdue or is to become due at the relevant time.

"Public Equity Offering" means an underwritten primary public offering of common stock of the Company pursuant to an effective registration statement under the Securities Act.



"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary existing on the Issue Date or Incurred in compliance with the Indenture, including Indebtedness that Refinances Refinancing Indebtedness; PROVIDED, HOWEVER, that (i) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (ii) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced and (iii) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; PROVIDED, FURTHER, HOWEVER, that Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that Refinances Indebtedness of the Company or (y) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

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"Related Business" means any business related, ancillary or complementary to the businesses of the Company on the Issue Date.

"Restricted Payment" with respect to any Person means (i) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person), other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation), (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary), including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock), (iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying of a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) the making of any Investment in any Person (other than a Permitted Investment).

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary leases it from such Person.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company secured by a Lien. "Secured Indebtedness" of any Subsidiary Guarantor has a correlative meaning.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement to that effect. "Subordinated Obligation" of any Subsidiary Guarantor has a correlative meaning.

"Subsidiary" means, in respect of any Person, any corporation, association, limited liability company, limited or general partnership or other business



entity (x) of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person, or (y) that is consolidated for purposes of the Company's consolidated financial statements.

"Subsidiary Guarantor" means each Restricted Subsidiary designated as such on the signature pages of the Indenture and any other Restricted Subsidiary that has issued a Subsidiary Guaranty.

"Subsidiary Guaranty" means the Guarantee by a Subsidiary Guarantor of the Company's obligations with respect to the Notes.

"S&P" means Standard & Poor's Ratings Service.

"Temporary Cash Investments" means any of the following: (i) any investment in direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof, (ii) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition

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thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of \$10,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with a bank meeting the qualifications described in clause (ii) above, (iv) investments in commercial paper, maturing not more than 180 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P, and (v) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Company or any other Restricted Subsidiary of the Company; provided, however, that either (A) the Subsidiary to be so designated has total assets of \$1,000 or less or (B) if such Subsidiary has assets greater than \$1,000, such designation would be permitted under the covenant described under "-- Certain Covenants--Limitation on Restricted Payments." The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (x) if such Unrestricted Subsidiary at such time has Indebtedness, the Company could incur \$1.00 of additional Indebtedness under clause (i) of paragraph (a) of the covenant described under "--Certain Covenants-- Limitation on Indebtedness" and (y) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced by the Company to the Trustee by promptly filing with the Trustee a copy of the board resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal

of or interest on the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"Wholly Owned Subsidiary" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares and shares held by other Persons to the extent such shares are required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) is owned by the Company or one or more Wholly Owned Subsidiaries.

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#### CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS RELATING TO THE EXCHANGE OFFER

The exchange of New Notes for the Old Notes pursuant to the Exchange Offer will not be treated as an "exchange" for United States federal income tax purposes because the New Notes will not be considered to differ materially in kind or extent from the Old Notes. Rather, the New Notes received by a Noteholder will be treated as a continuation of the Old Notes in the hands of such Noteholder. As a result, there will be no United States federal income tax consequences to Noteholders exchanging the Old Notes for the New Notes pursuant to the Exchange Offer. The adjusted basis and holding period of the New Notes for any Noteholder will be the same as the adjusted basis and holding period of the Old Notes. Similarly, there would be no United States federal income tax consequences to a Noteholder of Old Notes that does not participate in the Exchange Offer.

#### PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. The Issuer has agreed that, for a period of 180 days after the Expiration Date it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 199 , all dealers effecting transactions in the New Notes may be required to deliver a prospectus.

The Company will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

#### LEGAL MATTERS

Certain legal matters with regard to the validity of the New Notes will be passed upon for the Company by Milbank, Tweed, Hadley & McCloy, Los Angeles, California.

#### EXPERTS

The consolidated financial statements of the Company as of December 31, 1996

and for the period May 2, 1996 to December 31, 1996, and of the Company's Predecessor for the period April 1, 1996 to May 1, 1996, included in this Prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Bekins as of March 31, 1996 and for each of the two years in the period ended March 31, 1996 included in this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein, in reliance upon the authority of said firm as experts in giving said report.

The combined and consolidated financial statements of LIW and its predecessor as of December 31, 1995 and 1996 and for the years ended December 31, 1994 and 1995 and for the periods January 1, 1996 to January 23, 1996 and from January 24, 1996 to December 31, 1996 included in this Prospectus have been audited by Price Waterhouse, Chartered Accountants and

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Registered Auditors, as stated in their report appearing herein, and are included in reliance upon the report of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company is not currently subject to the periodic reporting and other informational requirements of the Exchange Act. The Company has agreed that, whether or not it is required to do so by the rules and regulations of the Commission, for so long as any of the Notes remain outstanding, it will furnish to the holders of the Notes and file with the Commission (unless the Commission will not accept such a filing) (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company was required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent auditors and (ii) all reports that would be required to be filed with the Commission on Form 8-K if the Company was required to file such reports. In addition, for so long as any of the Notes remain outstanding, the Company has agreed to make available to any prospective purchaser of the Notes or beneficial owner of the Notes in connection with any sale thereof the information required by Rule 144A(d) (4) under the Securities Act.

FORWARD-LOOKING STATEMENTS

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT. DISCUSSIONS CONTAINING SUCH FORWARD-LOOKING STATEMENTS MAY BE FOUND IN THE MATERIAL SET FORTH UNDER "PROSPECTUS SUMMARY," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION" AND "BUSINESS" AS WELL AS WITHIN THIS PROSPECTUS GENERALLY. IN ADDITION, WHEN USED IN THIS PROSPECTUS, THE WORDS "ANTICIPATES," "EXPECTS," "ESTIMATES," "INTENDS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES. ACTUAL RESULTS IN THE FUTURE COULD DIFFER MATERIALLY FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF THE RISK FACTORS SET FORTH HEREIN AND THE OTHER MATTERS SET FORTH IN THIS PROSPECTUS. THE COMPANY UNDERTAKES NO OBLIGATION TO RELEASE THE RESULTS OF ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS THAT MAY BE MADE TO REFLECT ANY FUTURE EVENTS OR CIRCUMSTANCES.

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of International Logistics Limited  
Hillside, Illinois:

We have audited the accompanying consolidated balance sheets of International Logistics Limited and subsidiaries (the "Company") as of December 31, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from May 2, 1996 (date operations commenced) through December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Logistics Limited and subsidiaries as of December 31, 1996, and the results of their operations and their cash flows for the period from May 2, 1996 (date operations commenced) through December 31, 1996, in conformity with generally accepted accounting principles.

As described in Note 1 to the financial statements, on May 2, 1996, the net assets of The Bekins Company were acquired by the Company. The acquisition has been accounted for by the purchase method of accounting and, accordingly, the acquisition price has been allocated to the assets acquired and liabilities assumed based on the estimated fair values on the date of acquisition. As such, the amounts reported for the Company are not comparable to the amounts shown for The Bekins Company in prior periods.

DELOITTE & TOUCHE LLP

Chicago, Illinois  
March 31, 1997

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Bekins Company  
Hillside, Illinois:

We have audited the consolidated statements of operations, stockholders' equity and cash flows (the "Statements") of The Bekins Company (the "Company") for the period from April 1, 1996 through May 1, 1996. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Statements referred to above present fairly, in all material respects, the results of operations and cash flows of the Company for



|   |           |            |            |
|---|-----------|------------|------------|
| Buildings.....                              | --        | 1,053      | 22,163     |
| Leasehold improvements.....                 | --        | 839        | 1,650      |
| Land.....                                   | --        | 481        | 5,840      |
|   |           |            |            |
|   | 10,735    | 13,448     | 50,847     |
| Less accumulated depreciation.....          | (2,469)   | (1,667)    | (4,151)    |
|   |           |            |            |
| Property and equipment, net.....            | 8,266     | 11,781     | 46,696     |
|   |           |            |            |
| NOTES RECEIVABLE, less current portion..... | 1,005     | 138        | 1,921      |
| DEFERRED INCOME TAXES.....                  | --        | 3,447      | 9,729      |
| INTANGIBLE ASSETS, Net.....                 | 20,283    | 85,144     | 71,974     |
| OTHER ASSETS.....                           | 1,609     | 1,138      | 16,612     |
|   |           |            |            |
| TOTAL.....                                  | \$ 64,476 | \$ 236,684 | \$ 457,431 |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

|   |          |           |            |
|---|----------|-----------|------------|
| CURRENT LIABILITIES:                      |          |           |            |
| Accounts payable.....                     | \$ 7,443 | \$ 69,238 | \$ 139,422 |
| Accrued expenses.....                     | 27,963   | 48,816    | 147,447    |
| Income taxes payable.....                 | --       | 580       | 5,175      |
| Note payable to related party.....        | 1,250    | --        | --         |
| Current portion of long-term debt.....    | 11,532   | 4,510     | 18,590     |
|   |          |           |            |
| Total current liabilities.....            | 48,188   | 123,144   | 310,634    |
| LONG-TERM DEBT, Less current portion..... | 383      | 61,804    | 71,671     |
| OTHER NONCURRENT LIABILITIES.....         | 7,768    | 11,117    | 35,624     |
|   |          |           |            |
| Total liabilities.....                    | 56,339   | 196,065   | 417,929    |
|   |          |           |            |
| MINORITY INTEREST.....                    |          |           | 2,205      |
| REDEEMABLE PREFERRED STOCK.....           |          |           | 8,052      |

#### STOCKHOLDERS' EQUITY:

Common stock (March 31, 1996: authorised, 1,000,000 shares, par value \$.01; issued and outstanding, 119,032 shares--December 31, 1996: authorised, 5,000,000 shares, par value \$.001; issued and outstanding, 2,016,667 shares--September 30, 1997 (unaudited): authorised, 5,000,000 shares, par value \$.001; issued and outstanding, 2,076,726 shares).....

|  |           |            |            |
|--|-----------|------------|------------|
|  | 1         | 2          | 2          |
| Additional paid-in capital.....              | 5,716     | 50,050     | 52,101     |
| Retained earnings (Accumulated deficit)..... | 2,420     | (9,244)    | (22,497)   |
| Notes receivable from stockholders.....      | --        | (150)      | (357)      |
| Cumulative translation adjustment.....       | --        | (39)       | (4)        |
|  |           |            |            |
| Total stockholders' equity.....              | 8,137     | 40,619     | 29,245     |
|  |           |            |            |
| TOTAL.....                                   | \$ 64,476 | \$ 236,684 | \$ 457,431 |

</TABLE>

See notes to consolidated financial statements.

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#### INTERNATIONAL LOGISTICS LIMITED

#### CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

|  | COMPANY PREDECESSOR |            |  | COMPANY   |  |   |
|--|---------------------|------------|--|---|--|---|
|  | YEAR ENDED MARCH 31 |            | PERIOD FROM<br>APRIL 1, 1996 TO<br>MAY 1, 1996 | PERIOD FROM<br>MAY 2, 1996 TO<br>DECEMBER 31,<br>1996 | PERIOD FROM<br>MAY 2, 1996 TO<br>SEPTEMBER 30,<br>1996 | NINE MONTHS<br>ENDED<br>SEPTEMBER 30,<br>1997 |
|  | 1995                | 1996       |  |   |  |   |
|  |                     |            |  |   | (UNAUDITED)  | (UNAUDITED)                                   |
| <S>  | <C>                 | <C>        | <C>  | <C>   | <C>  | <C>   |
| REVENUES.....  | \$ 242,966          | \$ 231,752 | \$ 17,458                                      | \$ 225,793  | \$ 89,975  | \$ 550,141                                    |
| TRANSPORTATION AND OTHER DIRECT<br>COSTS.....        | 191,278             | 179,611    | 13,634   | 181,208   | 73,748   | 436,466                                       |
| NET REVENUES.....                                    | 51,688              | 52,141     | 3,824  | 44,585  | 16,227   | 113,675                                       |
| SELLING, GENERAL AND ADMINISTRATIVE<br>EXPENSES..... | 43,008              | 42,810     | 3,309  | 37,554  | 11,375   | 105,659                                       |
| DEPRECIATION AND AMORTISATION.....                   | 5,675               | 4,194      | 337  | 16,310  | 9,690  | 22,138  |
|  |                     |            |  |   |  |   |
| OPERATING PROFIT (LOSS).....                         | 3,005               | 5,137      | 178  | (9,279)   | (4,838)  | (14,122)                                      |
| INTEREST EXPENSE, NET AND                            |                     |            |  |   |  |   |

|  |        |          |         |            |            |             |
|--|--------|----------|---------|------------|------------|-------------|
| AMORTISATION OF DEBT ISSUANCE COSTS.....   | 2,252  | 2,397    | 230     | 2,981      | 1,419      | 5,765       |
| OTHER (INCOME/GAINS) EXPENSE/LOSSES.....   | (259)  | 34       | (73)    | --         | (21)       | (88)        |
| INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM.....                        | 1,012  | 2,706    | 21      | (12,260)   | (6,236)    | (19,799)    |
| INCOME TAX PROVISION (BENEFIT).....  | 816    | 1,508    | 48      | (4,013)    | (2,232)    | (6,546)     |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEM.....   | 196    | 1,198    | (27)    | (8,247)    | (4,004)    | (13,253)    |
| EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT-- NET OF TAX BENEFIT (\$664)..... | --     | --       | --      | (997)      | --         | --          |
| NET INCOME (LOSS).....   | \$ 196 | \$ 1,198 | \$ (27) | \$ (9,244) | \$ (4,004) | \$ (13,253) |
| WEIGHTED AVERAGE SHARES OUTSTANDING.....   |        |          |         | 1,254,167  | 1,000,000  | 2,044,800   |
| NET LOSS PER SHARE.....  |        |          |         | \$ (7.37)  | \$ (4.00)  | \$ (6.48)   |

</TABLE>

See notes to consolidated financial statements.

F-6

INTERNATIONAL LOGISTICS LIMITED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS OF U.S. DOLLARS)

<TABLE>

<CAPTION>

| COMPANY PREDECESSOR   | COMMON STOCK |       | ADDITIONAL | RETAINED     | NOTES        | CUMULATIVE  |
|---|--------------|-------|------------|--------------|--------------|-------------|
|   | SHARES       | STOCK | PAID-IN    | EARNINGS     | RECEIVABLE   | TRANSLATION |
|   |              |       | CAPITAL    | (ACCUMULATED | FROM         | ADJUSTMENT  |
|   |              |       |            | DEFICIT)     | STOCKHOLDERS |             |
| <S>   | <C>          | <C>   | <C>        | <C>          | <C>          | <C>         |
| BALANCE, APRIL 1, 1994.....   | 117,647      | \$ 1  | \$ 5,237   | \$ 1,026     | --           | --          |
| Net income.....   | --           | --    | --         | 196          | --           | --          |
| Issuance of stock to directors....  | 1,021        | --    | 169        | --           | --           | --          |
| Value of options granted in conjunction with extension of credit agreement..... | --           | --    | 250        | --           | --           | --          |
| BALANCE, MARCH 31, 1995.....  | 118,668      | 1     | 5,656      | 1,222        | --           | --          |
| Net income.....   | --           | --    | --         | 1,198        | --           | --          |
| Issuance of stock to directors....  | 64           | --    | 10         | --           | --           | --          |
| Sale of stock.....  | 300          | --    | 50         | --           | --           | --          |
| BALANCE, MARCH 31, 1996.....  | 119,032      | 1     | 5,716      | 2,420        | --           | --          |
| Net loss.....   | --           | --    | --         | (27)         | --           | --          |
| Effect of merger.....   | (119,032)    | (1)   | (5,716)    | (2,393)      | --           | --          |
| COMPANY   |              |       |            |              |              |             |
| BALANCE, MAY 2, 1996.....   | --           | --    | --         | --           | --           | --          |
| Sale of stock upon inception.....   | 2,009,155    | 2     | 49,702     | --           | --           | --          |
| Paid-in capital--warrants.....  | --           | --    | 198        | --           | --           | --          |
| Net loss.....   | --           | --    | --         | (9,244)      | --           | --          |
| Foreign currency translation adjustment.....                                    | --           | --    | --         | --           | --           | \$ (39)     |
| Sale of stock to officers.....  | 7,512        | --    | 150        | --           | \$ (150)     | --          |
| BALANCE, DECEMBER 31, 1996.....   | 2,016,667    | 2     | 50,050     | (9,244)      | (150)        | (39)        |
| Sale of stock (unaudited).....  | 74,786       | --    | 2,242      | --           | --           | --          |
| Repurchase of common stock (unaudited).....                                     | (25,060)     | --    | (501)      | --           | --           | --          |
| Net loss (unaudited).....   | --           | --    | --         | (13,253)     | --           | --          |
| Foreign currency translation adjustment (unaudited).....                        | --           | --    | --         | --           | --           | 35          |
| Sale of stock to officers (unaudited).....                                      | 10,333       | --    | 310        | --           | (207)        | --          |
| BALANCE, SEPTEMBER 30, 1997 (unaudited).....                                    | 2,076,726    | \$ 2  | \$ 52,101  | \$ (22,497)  | \$ (357)     | \$ (4)      |



<CAPTION>

| COMPANY PREDECESSOR   | TOTAL<br>STOCKHOLDERS'<br>EQUITY |
|---|----------------------------------|
| <S>   | <C>                              |
| BALANCE, APRIL 1, 1994.....   | \$ 6,264                         |
| Net income.....   | 196                              |
| Issuance of stock to directors....  | 169                              |
| Value of options granted in<br>conjunction with extension of<br>credit agreement..... | 250                              |
| BALANCE, MARCH 31, 1995.....  | 6,879                            |
| Net income.....   | 1,198                            |
| Issuance of stock to directors....  | 10                               |
| Sale of stock.....  | 50                               |
| BALANCE, MARCH 31, 1996.....  | 8,137                            |
| Net loss.....   | (27)                             |
| Effect of merger.....   | (8,110)                          |
| COMPANY   |                                  |
| BALANCE, MAY 2, 1996.....   | --                               |
| Sale of stock upon inception.....   | 49,704                           |
| Paid-in capital--warrants.....  | 198                              |
| Net loss.....   | (9,244)                          |
| Foreign currency translation<br>adjustment.....                                       | (39)                             |
| Sale of stock to officers.....  | --                               |
| BALANCE, DECEMBER 31, 1996.....   | 40,619                           |
| Sale of stock (unaudited).....  | 2,242                            |
| Repurchase of common stock<br>(unaudited).....  | (501)                            |
| Net loss (unaudited).....   | (13,253)                         |
| Foreign currency translation<br>adjustment (unaudited).....                           | 35                               |
| Sale of stock to officers<br>(unaudited).....   | 103                              |
| BALANCE, SEPTEMBER 30, 1997<br>(unaudited).....                                       | \$ 29,245                        |

</TABLE>

See notes to consolidated financial statements.

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INTERNATIONAL LOGISTICS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF U.S. DOLLARS)

<TABLE>

<CAPTION>

|   | COMPANY PREDECESSOR |          |                  |
|---|---------------------|----------|------------------|
|   | YEAR ENDED          |          | PERIOD FROM      |
|   | MARCH 31,           |          | APRIL 1, 1996 TO |
|   | 1995                | 1996     | MAY 1, 1996      |
| <S>   | <C>                 | <C>      | <C>              |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                     |          |                  |
| Net income (loss).....  | \$ 196              | \$ 1,198 | \$ (27)          |
| Adjustments to reconcile net income<br>(loss) to net cash provided by (used<br>for) operating activities: |                     |          |                  |
| Depreciation and amortisation.....  | 6,175               | 4,700    | 337              |
| Amortisation of deferred gains.....   | (324)               | (437)    | --               |
| Deferred income taxes.....  | 696                 | 1,318    | --               |
| (Gain) loss on sale of assets.....  | (259)               | 34       | (69)             |
| Extraordinary item, net of tax.....   | --                  | --       | --               |
| Change in operating assets and<br>liabilities:  |                     |          |                  |
| Accounts receivable trade, net.....   | (398)               | 630      | (205)            |
| Prepaid expenses and other current<br>assets.....   | (1,207)             | 1,639    | 356              |

|   |          |          |          |
|---|----------|----------|----------|
| Accounts payable and accrued expenses.....                        | (4,208)  | 184      | (1,910)  |
| Other.....  | --       | --       | (1,149)  |
|   | -----    | -----    | -----    |
| Net cash provided by (used for) operating activities.....         | 671      | 9,266    | (2,667)  |
|   | -----    | -----    | -----    |
| CASH FLOWS FROM INVESTING ACTIVITIES:                             |          |          |          |
| Business acquisitions, net of cash acquired.....                  | --       | --       | --       |
| Collection of insurance receivable....                            | --       | 675      | --       |
| Purchases of property and equipment....                           | (3,251)  | (3,175)  | (130)    |
| Proceeds from the sale of net assets held for sale.....           | 584      | 1,083    | --       |
| Collection of notes receivable.....                               | 771      | 1,520    | --       |
| Issuance of notes receivable.....                                 | (2,146)  | (572)    | --       |
| Other.....  | (500)    | --       | (16)     |
|   | -----    | -----    | -----    |
| Net cash used for investing activities.....                       | (4,542)  | (469)    | (146)    |
|   | -----    | -----    | -----    |
| CASH FLOWS FROM FINANCING ACTIVITIES:                             |          |          |          |
| Net change in revolving line.....                                 | 2,900    | (8,600)  | 2,485    |
| Proceeds from long-term debt.....                                 | 1,566    | --       | --       |
| Payments on long-term debt.....                                   | (2,140)  | (793)    | --       |
| Debt issuance costs.....  | --       | --       | --       |
| Issuance of common stock.....                                     | --       | 50       | --       |
| Purchase of common stock.....                                     | --       | --       | --       |
| Repayments from related party.....                                | 1,500    | --       | --       |
|   | -----    | -----    | -----    |
| Net cash provided by (used for) financing activities.....         | 3,826    | (9,343)  | 2,485    |
|   | -----    | -----    | -----    |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS..... | --       | --       | --       |
|   | -----    | -----    | -----    |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....         | (45)     | (546)    | (328)    |
| CASH AND CASH EQUIVALENTS OF ACQUIRED COMPANIES.....              | --       | --       | --       |
|   | -----    | -----    | -----    |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....               | 1,987    | 1,942    | 1,396    |
|   | -----    | -----    | -----    |
| CASH AND CASH EQUIVALENTS, END OF PERIOD.....                     | \$ 1,942 | \$ 1,396 | \$ 1,068 |
|   | -----    | -----    | -----    |
| SUPPLEMENTAL DISCLOSURES:   |          |          |          |
| Interest paid.....  | \$ 2,558 | \$ 2,661 | \$ 78    |
|   | -----    | -----    | -----    |
| Income taxes paid.....  | \$ 649   | \$ 385   | \$ 2     |
|   | -----    | -----    | -----    |
| NONCASH COMMON STOCK TRANSACTIONS (See Notes 3 and 9).....        |          |          |          |
| NONCASH WARRANT TRANSACTIONS (See Note 9).....                    |          |          |          |
| NEW CAPITAL LEASES.....   |          |          |          |

<CAPTION>

|   | COMPANY  |   |  |
|---|--|---|--|
|   | PERIOD FROM<br>MAY 2, 1996 TO<br>DECEMBER 31, 1996 | PERIOD FROM<br>MAY 2, 1996 TO<br>SEPTEMBER 30, 1996 | NINE MONTHS ENDED<br>SEPTEMBER 30,<br>1997 |
|   | -----  | -----   | -----                                      |
| <S>   | <C>  | (UNAUDITED)   | (UNAUDITED)                                |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |  |   |  |
| Net income (loss).....  | \$ (9,244)   | \$ (4,004)  | \$ (13,253)                                |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: |  |   |  |
| Depreciation and amortisation.....  | 16,310   | 9,690   | 22,138                                     |
| Amortisation of deferred gains.....   | --   | --  | --   |
| Deferred income taxes.....  | (4,180)  | (3,566)   | (8,638)                                    |
| (Gain) loss on sale of assets.....  | --   | --  | (25)                                       |
| Extraordinary item, net of tax.....   | 997  | --  | --   |
| Change in operating assets and liabilities:   |  |   |  |
| Accounts receivable trade, net.....   | (1,422)  | (7,735)   | (5,324)                                    |
| Prepaid expenses and other current  |  |   |  |

|   |           |          |           |
|---|-----------|----------|-----------|
| assets.....   | 1,180     | 6,750    | (1,192)   |
| Accounts payable and accrued expenses.....                        | 1,119     | 1,689    | 4,667     |
| Other.....  | (2,333)   | (1,385)  | (7,693)   |
|   | -----     | -----    | -----     |
| Net cash provided by (used for) operating activities.....         | 2,427     | 1,439    | (9,320)   |
|   | -----     | -----    | -----     |
| CASH FLOWS FROM INVESTING ACTIVITIES:                             |           |          |           |
| Business acquisitions, net of cash acquired.....                  | (107,057) | (49,354) | (433)     |
| Collection of insurance receivable.....                           | --        | --       | --        |
| Purchases of property and equipment....                           | (1,369)   | (950)    | (5,551)   |
| Proceeds from the sale of net assets held for sale.....           | 1,477     | 29       | 7,036     |
| Collection of notes receivable.....                               | --        | --       | 89        |
| Issuance of notes receivable.....                                 | --        | --       | (2,496)   |
| Other.....  | --        | (119)    | --        |
|   | -----     | -----    | -----     |
| Net cash used for investing activities.....                       | (106,949) | (50,394) | (1,355)   |
|   | -----     | -----    | -----     |
| CASH FLOWS FROM FINANCING ACTIVITIES:                             |           |          |           |
| Net change in revolving line.....                                 | 3,900     | 8,790    | 13,400    |
| Proceeds from long-term debt.....                                 | 91,929    | 23,000   | --        |
| Payments on long-term debt.....                                   | (32,771)  | --       | (4,038)   |
| Debt issuance costs.....  | (6,076)   | (1,786)  | --        |
| Issuance of common stock.....                                     | 46,494    | 19,200   | 2,326     |
| Purchase of common stock.....                                     | --        | --       | (501)     |
| Repayments from related party.....                                | --        | --       | --        |
|   | -----     | -----    | -----     |
| Net cash provided by (used for) financing activities.....         | 103,476   | 49,204   | 11,187    |
|   | -----     | -----    | -----     |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS..... | (2)       | --       | --        |
|   | -----     | -----    | -----     |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....         | (1,048)   | 249      | 512       |
| CASH AND CASH EQUIVALENTS OF ACQUIRED COMPANIES.....              | 4,472     | 546      | 22,188    |
|   | -----     | -----    | -----     |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....               | --        | --       | 3,424     |
|   | -----     | -----    | -----     |
| CASH AND CASH EQUIVALENTS, END OF PERIOD.....                     | \$ 3,424  | \$ 795   | \$ 26,124 |
|   | -----     | -----    | -----     |
| SUPPLEMENTAL DISCLOSURES:   |           |          |           |
| Interest paid.....  | \$ 1,878  | \$ 97    | \$ 3,311  |
|   | -----     | -----    | -----     |
| Income taxes paid.....  | \$ 934    | \$ 37    | \$ 703    |
|   | -----     | -----    | -----     |
| NONCASH COMMON STOCK TRANSACTIONS (See Notes 3 and 9).....        | \$ 3,360  | \$ 360   | \$ 207    |
| NONCASH WARRANT TRANSACTIONS (See Note 9).....                    | \$ 198    | \$ 198   |           |
| NEW CAPITAL LEASES.....   | \$ 490    |          |           |

</TABLE>

See notes to consolidated financial statements.

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

1. GENERAL INFORMATION

International Logistics Limited was formed and incorporated in Delaware in 1996 by William E. Simon and Sons, LLC ("WESS"), entities managed by Oaktree Capital Management, LLC ("OCM") and Roger E. Payton, President and Chief Executive Officer. The Company made three acquisitions during the period ended December 31, 1996, and one acquisition during the nine months period ended September 30, 1997, as a platform to become a major factor in both the domestic and international logistics markets.

UNAUDITED INTERIM FINANCIAL STATEMENTS--In the opinion of management, the

unaudited interim financial statements for the period from May 2, 1996 to September 30, 1996 and as of and for the nine months ended September 30, 1997 have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations as of such dates and for such periods.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**PRINCIPLES OF CONSOLIDATION**--The accompanying consolidated financial statements include the accounts of International Logistics Limited or The Bekins Company (see Note 3) and their respective wholly-owned subsidiaries (each referred to as the "Company"). Intercompany accounts and transactions have been eliminated. The statements reflect a 24.8% minority interest for Ordinary Shares of LEP International Worldwide Limited ("LIW") not owned by the Company at September 30, 1997 and minority interests in foreign affiliates. From October 31, 1996 through September 30, 1997, the Company accounted for its 33.3% interest in LIW under the equity method of accounting.

**CASH AND CASH EQUIVALENTS**--Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

**PROPERTY AND EQUIPMENT**--Property and equipment are stated at cost, less accumulated depreciation. Depreciation on owned assets and amortisation on capital lease assets is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortised over the shorter of the life of the lease or the useful life of the asset on a straight-line basis. Major repairs, refurbishments and improvements that significantly extend the useful lives of the related assets are capitalised. Maintenance and repairs are expensed as incurred:

<TABLE>

<CAPTION>

|                                    | AMORTISATION<br>PERIODS |
|------------------------------------|-------------------------|
|                                    | -----                   |
| <S>                                | <C>                     |
| Transportation equipment.....      | 4-8 years               |
| Operating equipment and other..... | 3-8 years               |
| Buildings and improvements.....    | 25-40 years             |
| Furniture and fixtures.....        | 3-10 years              |
| </TABLE>                           |                         |

**INTANGIBLE ASSETS**--Intangible assets includes cost in excess of net assets acquired in connection with the acquisitions described in Note 3 which have been allocated among certain intangible items determined by management to have value such as the company name, software, agent and customer contracts and drivers' network. Provision for amortisation has been made based upon the estimated useful lives of the intangible asset categories.

**IMPAIRMENT OF LONG-LIVED ASSETS**--The carrying values of long-lived assets are reviewed periodically and if future cash flows are believed insufficient to recover the remaining carrying value of the related assets, the carrying value is written down in the period the impairment is identified to its estimated future recoverable value.

**OTHER ASSETS**--Other assets consists primarily of deposits related to certain operating leases.

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### INTERNATIONAL LOGISTICS LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**FAIR VALUE OF FINANCIAL INSTRUMENTS**--The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value at December 31, 1996 and September 30, 1997 (unaudited) due to their short-term nature; the carrying value of the Company's long-term debt approximates fair value due to its variable interest rates. The fair value of the Company's interest rate cap agreement is based on termination value and approximated \$87 and \$35 in favor of the Company at December 31, 1996 and September 30, 1997 (unaudited), respectively.

**FOREIGN CURRENCY TRANSLATION**--The financial statements of subsidiaries outside the United States are generally measured using the local currency as the functional currency. Assets, including intangible assets, and liabilities of this subsidiary are translated at the rate of exchange at the balance sheet date. The resultant translation adjustments are included in the cumulative translation adjustment, a separate component of stockholders' equity. Income and expenses are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of this subsidiary are included in net

earnings.

EMPLOYEE RETIREMENT SAVINGS PLANS--Retirement savings plans are available to substantially all salaried and nonunion hourly employees, which allow eligible employees to contribute a portion of their annual salaries to the plans. Matching contributions are made at the discretion of each subsidiary.

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Contributions are subject to various vesting schedules, ranging from immediate to seven years. Matching contributions of \$385, \$367, \$207 and \$525 were made for the years ended March 31, 1995 and 1996, for the period ended December 31, 1996 and for the nine months ended September 30, 1997 (unaudited), respectively.

DEFERRED COMPENSATION PLAN--On July 1, 1996, the Company initiated a nonqualified deferred compensation plan for certain key employees to supplement the retirement savings plans. Under the deferred compensation plan, employees sign an irrevocable contribution commitment for a plan year based on a percentage of their salary. The Company matches this contribution subject to certain limitations, and agrees to distribute the deferred compensation, plus investment income, in accordance with the distribution method selected by the employee. Matching expense of the Company in 1996 was \$24, and was \$47 for the nine months ended September 30, 1997 (unaudited). Employee deferrals and Company match funds have been deposited with a plan trustee. These funds and the related deferred compensation obligations are recorded as both a noncurrent asset and a noncurrent liability at December 31, 1996 and September 30, 1997 (unaudited) in the amounts of \$118 and \$297, respectively. The Company has established a trust with Key Trust Company as trustee (the "Trustee") to hold and invest amounts contributed pursuant to the Deferred Plan. The Company may from time to time, at its sole discretion, direct the Trustee to purchase shares of the Company's common stock (the "Plan Shares"). The Company may, by written action, designate which employees are entitled to receive Plan Shares. If at any time prior to an initial public offering, a participant's employment is terminated for any reason whatsoever, the Company has the option to repurchase any Plan Shares held in such participant's account. As of September 30, 1997 (unaudited), 3,168 Plan Shares were held by the Trustee on behalf of participants under the Deferred Plan.

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Company contributions are subject to various vesting schedules, ranging from immediate to three years.

REVENUE RECOGNITION--The Company's policy is to recognise revenue when it has performed substantially all services required under the terms of its contracts, generally on the date shipment is completed. Revenue from export-forwarding services is recognised at the time the freight departs the terminal of origin. Customs brokerage revenue is recognised upon completing the documents necessary for customs clearance. Storage revenue is recognised as services are performed.

CREDIT RISK CONSIDERATIONS--Concentration of credit risk with respect to accounts receivable is limited due to the wide variety of customers and markets into which services are sold, as well as their dispersion across many different geographic areas.

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has recorded an allowance for doubtful accounts to estimate the difference between recorded receivables and ultimate collections. The allowance and provision for bad debts are adjusted periodically based upon the Company's evaluation of historical collection experience, industry trends and other relevant factors. The allowance for doubtful accounts was \$2,991, \$3,675 and \$14,882 at March 31, 1996, December 31, 1996 and September 30, 1997 (unaudited), respectively.

INCOME TAXES--Deferred income taxes are provided for temporary differences between the financial reporting basis and tax basis of assets and liabilities at currently enacted tax rates. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible in income tax returns for the year reported.

EARNINGS PER SHARE--Earnings per share have been computed based on the average number of common shares outstanding during each period presented. Primary and fully diluted earnings per share have not been presented due to the anti-dilutive effect of common stock equivalents. In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time,

the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. The impact of Statement 128 is not expected to be material.

USE OF ESTIMATES--The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates. Accounts affected by significant estimates include accounts receivable and accruals for insurance claims, cargo loss and damage claims.

### 3. ACQUISITIONS

On May 2, 1996, International Logistics Limited acquired all of the outstanding shares of The Bekins Company ("Bekins" or "Company Predecessor"), a major provider, through its Bekins Van Lines ("BVL") subsidiary, of interstate transportation of household goods and logistic services for high-tech, electronic, medical, and high-end consumer products, for \$49.7 million including assumptions of debt and acquisition costs. The consideration was comprised of \$49.5 million in cash and the Company's common stock valued at \$0.2 million. The excess of the purchase price over the fair value of the net assets acquired was \$14.5 million, has been recorded as goodwill, and is being amortised on a straight-line basis over 40 years.

Bekins has pursued a strategy of converting company-owned Bekins Moving and Storage ("BMS") service centers into independent moving and storage agents, who will become part of the BVL agent network. At December 31, 1996 seventeen company-owned BMS service centers remained; at September 30, 1997 (unaudited) no service centers remained. The operations of BMS have been treated as discontinued as of the acquisition date; at December 31, 1996, the net assets are classified as held for sale on the Company's balance sheet. At September 30, 1997 (unaudited), substantially all assets of BMS have been sold.

On October 31, 1996, the Company acquired all of the outstanding shares of LEP Profit International, Inc. ("LEP-USA") and LEP International Inc. ("LEP-Canada") from LIW for \$32 million in cash including assumption of debt and acquisition costs. LEP-USA and LEP Canada (collectively "LEP") provide domestic and international freight forwarding services, as well as value-added domestic logistic services. The excess of the purchase price over the fair value of the net assets acquired was \$19.3 million, has been recorded as goodwill, and is being amortised on a straight-line basis over 40 years. In addition to the acquisition of LEP, the Company acquired 33.3% of the outstanding common stock and warrants to purchase the remaining 66.7% of LIW for a nominal amount.

On November 7, 1996, the Company acquired all of the outstanding shares of Matrix International Logistics, Inc. ("Matrix"), an international project cargo freight forwarder that also specialises in premium international household

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

### 3. ACQUISITIONS (CONTINUED)

relocation services, for \$30 million including assumption of debt and acquisition costs. The consideration was comprised of \$27 million in cash and Company common stock valued at \$3 million. Additional consideration of up to \$10 million in cash and stock is payable if certain earnings targets are achieved in the five-year period from 1997 through 2001. The excess of the purchase price over the fair value of the net assets acquired was \$18.9 million, has been recorded as goodwill, and is being amortised on a straight-line basis over 25 years.

On September 30, 1997, the Company increased its holdings in LIW, a United Kingdom based international freight forwarder with operations primarily in Europe and Asia, from 33.3% to 75.2%. Consideration included \$0.4 million in cash and warrants to purchase 19,045 shares of common stock of the Company at an exercise price of \$45 per share under terms similar to previously issued warrants. The transaction has been accounted for under the purchase method of accounting. The excess of purchase price over book value of the net assets acquired of \$21.3 million has been preliminarily allocated to property and equipment, subject to further study and analysis, with useful lives ranging from three to forty years.

The operating results of each acquired company have been included in the consolidated statement of operations since the dates of acquisition.

Pro forma unaudited operating results assuming the acquisitions were made on January 1, 1996 with respect to the year ended December 31, 1996 and January 1, 1997 with respect to the nine-months ended September 30, 1997 and interest on long-term debt, are as follows:

<TABLE>

<CAPTION>

|                     | NINE MONTHS ENDED<br>SEPTEMBER 30, 1997 |              |
|---------------------|---|--------------|
|                     | YEAR ENDED<br>DECEMBER 31, 1996         | (UNAUDITED)  |
|                     | (UNAUDITED)                             |              |
| <S>                 | <C>                                     | <C>          |
| Revenues.....       | \$ 1,638,841                            | \$ 1,089,004 |
| Net revenues.....   | 403,733                                 | 270,565      |
| Operating loss..... | 9,750                                   | 6,799        |
| Net loss.....       | 22,955                                  | 12,430       |

#### 4. INTANGIBLE ASSETS

Intangible assets consist of the following:

<TABLE>

<CAPTION>

|                                    | MARCH 31, 1996 | DECEMBER 31, 1996 | SEPTEMBER 30, 1997<br>(UNAUDITED) | AMORTISATION<br>PERIOD |
|------------------------------------|----------------|-------------------|-----------------------------------|------------------------|
| <S>                                | <C>            | <C>               | <C>                               | <C>                    |
| Goodwill.....                      | \$ 18,989      | \$ 52,878         | \$ 56,617                         | 25-40 years            |
| Software.....                      | 4,630          | 21,687            | 24,637                            | 2-3 years              |
| Agent contracts.....               | 1,912          | 12,554            | 13,835                            | 2-5 years              |
| Customer contracts.....            | --             | 6,500             | 6,500                             | 2 years                |
| Debt issuance costs.....           | --             | 4,359             | 4,594                             | 7 years                |
| Drivers' network.....              | --             | 1,750             | 1,750                             | 2 years                |
| Other.....                         | 350            | 255               | 255                               | 4 years                |
|                                    | 25,881         | 99,983            | 108,188                           |                        |
| Less accumulated amortisation..... | (5,598)        | (14,839)          | (36,214)                          |                        |
|                                    | \$ 20,283      | \$ 85,144         | \$ 71,974                         |                        |

</TABLE>

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

#### 5. ACCOUNTS PAYABLE, ACCRUED EXPENSES, OTHER NONCURRENT LIABILITIES AND REDEEMABLE PREFERRED STOCK

Accounts payable includes checks outstanding against the Company's central disbursement accounts. Arrangements with the Company's banks do not call for reimbursement until the checks are presented for payment. Such outstanding checks were \$3,982, \$11,250 and \$15,184 at March 31, 1996, December 31, 1996 and September 30, 1997 (unaudited), respectively.

Accrued expenses and other noncurrent liabilities consist of the following:

<TABLE>

<CAPTION>

|                                | MARCH 31,<br>1996 | DECEMBER 31,<br>1996 | SEPTEMBER 30,<br>1997 |
|--------------------------------|-------------------|----------------------|-----------------------|
| <S>                            | <C>               | <C>                  | <C>                   |
|                                |                   |                      | (UNAUDITED)           |
| ACCRUED EXPENSES               |                   |                      |                       |
| Transportation.....            | \$ 13,926         | \$ 22,116            | \$ 65,343             |
| Employee related.....          | 2,508             | 8,722                | 23,588                |
| Rents and utilities.....       | --                | --                   | 11,126                |
| Insurance and litigation.....  | 8,055             | 7,621                | 10,396                |
| Acquisition.....               | --                | 4,761                | 16,556                |
| Customer programs.....         | 1,078             | 1,825                | 3,529                 |
| VAT/Sales Tax Payables.....    | --                | --                   | 2,792                 |
| Other.....                     | 2,396             | 3,771                | 14,117                |
|                                | \$ 27,963         | \$ 48,816            | \$ 147,447            |
| OTHER NONCURRENT LIABILITIES   |                   |                      |                       |
| Employee benefit programs..... | --                | --                   | \$ 22,697             |
| Insurance.....                 | \$ 6,941          | \$ 5,717             | 5,586                 |
| Income taxes payable.....      | --                | --                   | 4,045                 |
| Acquisition.....               | --                | 4,526                | 2,064                 |
| Other.....                     | 827               | 874                  | 1,232                 |
|                                | \$ 7,768          | \$ 11,117            | \$ 35,624             |



</TABLE>

INSURANCE CLAIMS--Certain of the Company's insurance programs, primarily workers' compensation, public liability and property damage, and cargo loss and damage, are subject to substantial deductibles or retrospective adjustments. Accruals for insurance claims, except for cargo claims, are estimated for the ultimate cost of unresolved and unreported claims pursuant to actuarial determination. Cargo claims are accrued for based on the Company's historical claims experience and management's judgment.

ACQUISITION RESERVES--In conjunction with the acquisitions of Bekins, LEP and Matrix (see Note 3), the Company recorded certain acquisition reserves related to the closure of duplicate administrative and warehouse facilities, consolidation of redundant business systems, and reduction of Bekins and LEP personnel performing duplicate tasks. Termination benefits include approximately \$3.8 million for severance, wage continuation, medical and other benefits for approximately 200 employees. Facility closures and related costs include estimated net losses on disposal of property, plant and equipment, lease payments and related costs of \$3.9 million. Approximately \$1.6 million was accrued for all other consolidation, relocation and related activities. All costs were accrued as part of the purchase accounting in accordance with approved management plans.

REDEEMABLE PREFERRED STOCK (UNAUDITED)--Represents \$8.1 million of 5.5% Non-Voting Cumulative Redeemable Preferred Stock ("Preferred Shares") assumed in connection with the LIW acquisition. The Preferred Shares are redeemable anytime at the Company's option; however, must be redeemed by January, 2001. Dividends are payable contingent upon profits of LIW.

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

6. LONG-TERM DEBT

Long-term debt consists of the following:

| <S>  | INTEREST RATES | MARCH 31, DECEMBER 31, SEPTEMBER 30, |           |             |
|--|----------------|--------------------------------------|-----------|-------------|
|  |                | 1996                                 | 1996      | 1997        |
| <C>  |                | <C>                                  | <C>       | <C>         |
|  |                |                                      |           | (UNAUDITED) |
| Term notes.....  | 8.25%--9.50%   | --                                   | \$ 59,275 | \$ 57,452   |
| Revolver.....  | 9.50           | % \$ 10,900                          | 3,900     | 17,300      |
| Bank overdrafts.....   | 4.88%--30.0%   | --                                   | --        | 12,251      |
| Capital lease obligations, due in various<br>installments through 2007, collateralised by<br>certain computer equipment with a net book value<br>of \$0, \$2,441, and \$1,696 at March 31, 1996,<br>December 31, 1996 and September 30, 1997,<br>respectively..... | 8.25%--9.90    | % 393                                | 2,291     | 2,706       |
| Other.....   |                | 622                                  | 848       | 552         |
|  |                | 11,915                               | 66,314    | 90,261      |
|  |                | (11,532)                             | (4,510)   | (18,590)    |
|  |                | \$ 383                               | \$ 61,804 | \$ 71,671   |

</TABLE>

Future minimum payments of the Company's long-term debt (exclusive of payments for maintenance, insurance, taxes, and other expenses related to capital leases) as of December 31, 1996 are as follows:

| <S>             | CAPITAL LEASES |  | VARIABLE RATE DEBT |  | TOTAL     |
|-----------------|----------------|--|--------------------|--|-----------|
|                 | <C>            |  | <C>                |  |           |
| 1997.....       | \$ 1,163       |  | \$ 3,105           |  | \$ 4,510  |
| 1998.....       | 1,076          |  | 5,105              |  | 6,418     |
| 1999.....       | 238            |  | 7,105              |  | 7,343     |
| 2000.....       | 125            |  | 7,105              |  | 7,230     |
| 2001.....       | 58             |  | 12,005             |  | 12,063    |
| Thereafter..... | --             |  | 28,750             |  | 28,750    |
|                 | 2,660          |  | \$ 63,175          |  | \$ 66,314 |

|   |          |       |       |
|---|----------|-------|-------|
| Less amounts representing interest.....                     | 369      | ----- | ----- |
| Present value of future minimum capital lease payments..... | \$ 2,291 | ----- | ----- |

</TABLE>

The Company's loan agreement dated October 31, 1996 (the "Agreement") provides for term notes of \$60.0 million and a revolving credit facility ("Revolver") whereby the Company may borrow up to \$50.0 million with a \$25.0 million sublimit for the issuance of letters of credit. Maximum borrowings available under the Agreement are based upon levels of receivables, notes receivables, outstanding letters of credit, and property and equipment as defined in the Agreement. The Company was contingently liable for letters of credit of \$8.4 million and \$9.0 million at December 31, 1996 and September 30, 1997 (unaudited), respectively, which reduced the Company's borrowing capacity by the same amounts under the Agreement.

Borrowings under the Agreement bear interest at the bank's prime rate plus 1.25% or the adjusted Eurodollar rate, as defined, plus 2.75%-3.25%, at the Company's option. Commitment fees on the Revolver are equal to 1/2 of 1% per annum times the average daily difference between the Revolver commitment and the sum of the principal indebtedness then evidenced by the Revolver. Commitment fees are paid quarterly and totaled \$61.0 for the period May 2, 1996 to December 31, 1996 and \$104.8 for the nine months ended September 30, 1997 (unaudited).

The Agreement is collateralised by substantially all assets of the Company. The Agreement requires, among other matters, maintenance of certain financial ratios, as defined, and places restrictions on additional borrowings, mergers, dividends, capital expenditures, and the sale of Company assets. As of December 31, 1996, the Company obtained a

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

6. LONG-TERM DEBT (CONTINUED)

waiver from the bank with respect to its compliance with certain earnings requirements and capital expenditure limitations. Although the Company was not in compliance with certain covenants at September 30, 1997 (unaudited) no waiver was obtained and the debt was repaid in October 1997.

Interest is payable on the outstanding daily unpaid principal amount of each loan from the date thereof until payment is made in full. Interest payments are made with principal on a calendar quarter-end basis.

Additional information on the Company's bank borrowings is as follows:

<TABLE>

<CAPTION>

|                                     | YEAR ENDED<br>MARCH 31, 1996 | PERIOD FROM MAY 2,<br>1996 TO<br>DECEMBER 31, 1996 | NINE MONTHS ENDED<br>SEPTEMBER 30, 1997 |
|-------------------------------------|------------------------------|--|---|
| <S>                                 | <C>                          | <C>  | <C>                                     |
|                                     |                              |  | (UNAUDITED)                             |
| Average balance outstanding.....    | \$ 17,500                    | \$ 37,807  | \$ 71,611                               |
| Maximum balance outstanding.....    | 21,200                       | 66,375   | 78,999                                  |
| Weighted average interest rate..... | 8.60%                        | 9.52%  | 9.14%                                   |

</TABLE>

On May 2, 1996, the Company secured a \$50.0 million loan under similar terms as the Agreement. On October 31, 1996, the Company used proceeds from the Agreement to retire the May 2, 1996 loan. In connection with this transaction, the Company recorded an extraordinary loss of \$1.7 million (\$997.0 net of tax) related to the write-off of unamortised deferred financing costs.

INTEREST RATE PROTECTION--The Company enters into interest rate agreements to reduce the impact of changes in interest rates on its variable rate debt. The initial cost of interest rate caps is recorded in intangible assets and is amortised to interest expense over the life of the caps.

At December 31, 1996, the Company had an interest rate cap which limits the maximum LIBOR rate on \$16 million notional principal amount at 7.0% through August 1999.

At September 30, 1997 (unaudited), the Company had an additional two and one-half year interest rate cap on \$25 million notional principal amount at 7.0% maximum LIBOR.

The interest rate caps were subsequently cancelled concurrent with the

refinancing on October 28, 1997 and a nominal loss was recorded as part of the unaudited extraordinary loss recorded in connection with the refinancing of the Company's outstanding indebtedness (See Note 11).

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

7. INCOME TAXES

The following summarises the effect of deferred income tax items and the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Temporary differences and carry-forwards comprising the net deferred tax asset as of December 31, 1996 are as follows:

|  |          |
|--|----------|
| <TABLE>                                |          |
| <S>                                    |          |
| Net operating loss carry-forwards..... | \$ 4,196 |
| Insurance reserves.....                | 5,027    |
| Allowance for doubtful accounts.....   | 1,657    |
| Other assets.....                      | 7,379    |
|  | -----    |
| Gross deferred tax assets.....         | 18,259   |
|  | -----    |
| Deferred tax liabilities:              |          |
| Property and equipment.....            | 1,852    |
| Other intangible assets.....           | 10,239   |
| Other liabilities.....                 | 1,839    |
|  | -----    |
| Gross deferred tax liabilities.....    | 13,930   |
|  | -----    |
| Net deferred tax assets.....           | \$ 4,329 |
|  | -----    |
|  | -----    |

</TABLE>

At December 31, 1996 the Company's net operating loss carry-forwards are available to offset future taxable income of approximately \$11.0 million and expire in 2009 through 2011; approximately \$7.0 million of such net operating loss carry-forwards is available for use in the Company's 1997 tax return.

Management believes that the realisation of the net deferred tax asset is more likely than not, based upon the expectation that the Company will generate the necessary taxable income in future periods.

The income tax provision (benefit) (exclusive of the extraordinary loss for the period ended December 31, 1996) consists of the following:

|                                | YEAR ENDED<br>MARCH 31, |          | PERIOD FROM<br>MAY 2, 1996 TO<br>DECEMBER 31, 1996 |
|--------------------------------|-------------------------|----------|--|
|                                | 1995                    | 1996     |  |
|                                | -----                   | -----    | -----  |
| <S>                            | <C>                     | <C>      | <C>  |
| Current:                       |                         |          |  |
| Federal.....                   | --                      | --       | \$ (300)   |
| Provincial.....                | --                      | --       | 164  |
| State.....                     | \$ 120                  | \$ 190   | 303  |
|                                | -----                   | -----    | -----  |
| Total current.....             | 120                     | 190      | 167  |
|                                | -----                   | -----    | -----  |
| Deferred:                      |                         |          |  |
| Federal.....                   | 696                     | 1,318    | (3,644)  |
| State.....                     | --                      | --       | (536)  |
|                                | -----                   | -----    | -----  |
| Total deferred.....            | 696                     | 1,318    | (4,180)  |
|                                | -----                   | -----    | -----  |
| Total provision (benefit)..... | \$ 816                  | \$ 1,508 | \$ (4,013)   |
|                                | -----                   | -----    | -----  |

</TABLE>

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

7. INCOME TAXES (CONTINUED)

A reconciliation of the statutory federal income tax rate, exclusive of the extraordinary loss, with the effective income tax rate is as follows:

|  | YEAR ENDED<br>MARCH 31, |      | PERIOD FROM<br>MAY 2, 1996 TO<br>DECEMBER 31, 1996 |
|--|-------------------------|------|--|
|  | 1995                    | 1996 |  |
| <S>  | <C>                     | <C>  | <C>  |
| Statutory federal rate (benefit).....                        | 35%                     | 35%  | (35)%  |
| State income taxes (benefit), net of federal income tax..... | 6                       | 4    | (5)  |
| Goodwill amortisation.....                                   | 40                      | 17   | 2  |
| Other.....   | --                      | --   | 5  |
|  | --                      | --   | --   |
| Effective tax rate.....                                      | 81%                     | 56%  | (33)%  |
|  | --                      | --   | ----   |
|  | --                      | --   | ----   |

</TABLE>

#### 8. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES--The Company leases facilities and equipment under noncancelable operating leases which expire at various dates through 2006. Net rental expense for the years ended March 31, 1995 and 1996 and for the period from May 2, 1996 to December 31, 1996 and the nine months ended September 30, 1997 (unaudited) was \$8.9 million, \$8.3 million, \$3.6 million and \$8.7 million, respectively.

Future minimum rental payments due under noncancelable operating leases at December 31, 1996 were as follows:

|                 |           |
|-----------------|-----------|
| <TABLE>         | <C>       |
| <S>             |           |
| 1997.....       | \$ 10,205 |
| 1998.....       | 7,889     |
| 1999.....       | 6,170     |
| 2000.....       | 4,439     |
| 2001.....       | 2,699     |
| Thereafter..... | 7,482     |
|                 | -----     |
| Total.....      | \$ 38,884 |
|                 | -----     |
|                 | -----     |

</TABLE>

LITIGATION AND CONTINGENT LIABILITIES--At September 30, 1997 (unaudited), LIW is contesting a claim made by Danish Customs and Excise for payment of customs duties and excise taxes of approximately \$4.7 million related to alleged irregularities in connection with a number of shipments of freight out of Denmark. Additionally, LIW is subject to a challenge by German tax authorities relating to approximately \$3.2 million of alleged liabilities relating to the status of LIW's historical tax filings. LIW has other tax disputes which, in the aggregate, involve amounts of \$10.9 million. The Company believes it has a number of defenses to the alleged tax liabilities and it intends to defend the tax claims vigorously. LIW has not recorded any reserves for the Danish customs matters but believes it has established adequate reserves for the remaining total alleged tax liabilities.

The Company and certain of its subsidiaries are defendants in legal proceedings arising in the ordinary course of business and are subject to unasserted claims. Although the outcome of these proceedings cannot be determined, it is the opinion of management, based on consultation with legal counsel, that the litigation reserves recorded at December 31, 1996 and September 30, 1997, and included in accrued expenses (see Note 5), are sufficient to cover losses which are probable to occur.

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#### INTERNATIONAL LOGISTICS LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

#### 9. STOCKHOLDERS' EQUITY

WARRANTS--As part of the Company's acquisitions (see Note 3), fixed and variable price stock warrant agreements for the purchase of 403,889 shares of common stock were issued to certain employees and nonemployees. During the nine months ended September 30, 1997 (unaudited), fixed price stock warrant agreements for the purchase of 288,500 shares of common stock were issued to certain employees, at an exercise price ranging from \$32 to \$60 per share, and warrants to purchase 19,045 shares of common stock were issued in connection with the purchase of LIW (See note 3) at an exercise price of \$45 per share. All warrants generally vest ratably over one to four years, although those issued to

certain non-employee entities in connection with the Company's financings and acquisition-related activities vest immediately, and warrants issued prior to January 1, 1997 fully vest upon a registered public offering. All warrants expire in seven to ten years from the date of issuance. The following table summarises the warrant activity:

<TABLE>  
<CAPTION>

|  | WARRANTS | PRICE PER SHARE |
|--|----------|-----------------|
|  | -----    | -----           |
| <S>  | <C>      | <C>             |
| Outstanding at May 2, 1996.....                    | --       | --              |
| Granted.....                                       | 403,889  | \$ 20-39        |
|  | -----    |                 |
| Outstanding at December 31, 1996.....              | 403,889  | \$ 20-39        |
| Granted (unaudited).....                           | 307,545  | \$ 32-60        |
|  | -----    |                 |
| Outstanding at September 30, 1997 (unaudited)..... | 711,434  | \$ 20-60        |
|  | -----    |                 |
| Exercisable at:                                    |          |                 |
| December 31, 1996.....                             | 128,889  | \$ 20-30.50     |
|  | -----    |                 |
| September 30, 1997 (unaudited).....                | 216,684  | \$ 20-45        |
|  | -----    |                 |

</TABLE>

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company measures compensation cost of warrants issued to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognised for its fixed price warrants. Had compensation cost for such warrants been determined consistent with the fair value method outlined in SFAS No. 123, the impact on the Company's net loss and net loss per share for the period from May 2, 1996 to December 31, 1996 and for the nine months ended September 30, 1997 (unaudited) would not have been significant.

The Company accounts for warrants issued to nonemployees under the fair value method as required by SFAS No. 123. Approximately \$200 of acquisition costs were recorded as part of the purchase price for the fair value of fixed price warrants issued to nonemployees for services rendered in connection with the Company's acquisitions during 1996.

The fair value of each warrant is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used during 1996 to estimate the fair value of warrants granted include a weighted average risk-free interest rate of 6.42% and an expected life of 3 years. As the Company is newly formed with no stock price or dividend payout history, dividend yield and expected volatility assumptions approximating zero were used in the option-pricing model. The weighted average fair value of warrants granted during the period from May 2, 1996 to December 31, 1996 is \$49 per share. The same assumptions were used resulting in similar values for the nine months ended September 30, 1997 (unaudited).

EMPLOYEE STOCK PURCHASE PLAN. The Company's Employee Stock Purchase Plans (the "Purchase Plans") provided certain employees of the Company with the right to purchase any or all of such employee's allocated portion, as determined by the Board of Directors of the Company, of an aggregate of 8,500 shares of Common Stock of the Company at a purchase price of \$20.00 per share and 75,000 shares of Common Stock at a purchase price of \$30.00 per share. The right to acquire shares of Common Stock under the Purchase Plans has terminated. A total of 33 employees purchased an aggregate of 55,150 shares of Common Stock pursuant to the Purchase Plans.

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INTERNATIONAL LOGISTICS LIMITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

9. STOCKHOLDERS' EQUITY (CONTINUED)

The Purchase Plans provide that, if at any time prior to an initial public offering, an employee who has purchased shares under the Purchase Plans is terminated for any reason whatsoever, including without limitation, death, disability, resignation, retirement or termination with or without cause, (i) the Company has an option (a "call") to repurchase, in whole or in part, the shares of Common Stock of the Company that are then owned by such employee or any transferee which were acquired pursuant to the Purchase Plans and (ii) the terminated employee has an option (a "put"), to sell to the Company, in whole or in part, the shares of Common Stock then owned by such employee which were acquired pursuant to the Purchase Plans. The purchase price for the exercise of

either the call or the put option is based on the Company's earnings for the most recent fiscal quarter prior to termination and the number of shares of Common Stock outstanding and subject to options and warrants to the extent such options and warrants are in the money.

NOTES RECEIVABLE FROM STOCKHOLDERS--During the period ended December 31, 1996, the Company sold 7,512 shares of common stock to an officer of the Company in exchange for a note receivable of \$150. During the nine months ended September 30, 1997 (unaudited), the Company sold 7,000 shares of stock to an officer of the Company in exchange for cash of \$52 and a note of \$158 and 3,333 shares of stock to an officer of the Company in exchange for \$50 cash and a note receivable of \$50. These notes have been recorded as a reduction of stockholder's equity. The notes are secured by the issued common stock, carry interest rates of 8% to 10%, and are payable in full by April 30, 2000, March 1, 1998 and January 1, 1998, respectively.

#### 10. SEGMENT INFORMATION

The segment information is presented based on the historical businesses which are part of the Company. Going forward, portions of each of these former stand-alone businesses may be shifted to another business segment based on operational expertise and infrastructure considerations. Each subsidiary offers similar logistic services with compatible technology and marketing strategies. The accounting policies of these segments are the same as those described in Note 2. Selected information regarding the segments are as follows:

<TABLE>

<CAPTION>

AS OF AND FOR THE PERIOD FROM MAY 2, 1996 TO DECEMBER 31, 1996

|   | BEKINS     | LEP USA   | LEP CANADA | MATRIX   | ILL        |
|---|------------|-----------|------------|----------|------------|
| <S>   | <C>        | <C>       | <C>        | <C>      | <C>        |
| Revenues.....   | \$ 135,420 | \$ 69,190 | \$ 15,023  | \$ 7,621 | --         |
| Depreciation and amortisation.....                            | 15,435     | 497       | 113        | 265      | --         |
| Interest income.....  | 38         | --        | 22         | --       | --         |
| Interest expense and amortisation of debt issuance costs..... | (1,812)    | (57)      | (88)       | --       | \$ (1,084) |
| Net income (loss).....  | (7,782)    | (300)     | 236        | (627)    | (771)      |
| Total assets.....   | 78,769     | 99,105    | 21,064     | 36,097   | 50,107     |
| Capital expenditures.....                                     | 1,285      | 30        | 10         | 14       | 30         |

<CAPTION>

|   | INTERSEGMENT ELIMINATIONS | TOTAL      |
|---|---------------------------|------------|
| <S>   | <C>                       | <C>        |
| Revenues.....   | \$ (1,461)                | \$ 225,793 |
| Depreciation and amortisation.....                            | --                        | 16,310     |
| Interest income.....  | --                        | 60         |
| Interest expense and amortisation of debt issuance costs..... | --                        | (3,041)    |
| Net income (loss).....  | --                        | (9,244)    |
| Total assets.....   | (48,458)                  | 236,684    |
| Capital expenditures.....                                     | --                        | 1,369      |
| United States.....  |                           |            |
| Canada.....   |                           |            |

<CAPTION>

|                    | REVENUES   | LONG-LIVED ASSETS |
|--------------------|------------|-------------------|
| <S>                | <C>        | <C>               |
| United States..... | \$ 210,770 | \$ 93,705         |
| Canada.....        | 15,023     | 7,943             |
|                    | \$ 225,793 | \$ 101,648        |

</TABLE>

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#### INTERNATIONAL LOGISTICS LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE AMOUNTS)

#### 10. SEGMENT INFORMATION (CONTINUED)

<TABLE>

<CAPTION>

AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 (UNAUDITED)

|     | BEKINS | LEP USA | LEP CANADA | MATRIX | LIW | ILL |
|-----|--------|---------|------------|--------|-----|-----|
| <S> | <C>    | <C>     | <C>        | <C>    | <C> | <C> |

|   |            |            |           |           |            |         |
|---|------------|------------|-----------|-----------|------------|---------|
| Revenues.....   | \$ 152,743 | \$ 287,663 | \$ 70,763 | \$ 50,409 | --         | --      |
| Depreciation and amortisation.....                          | 17,715     | 2,543      | 688       | 1,184     | --         | \$ 8    |
| Interest income.....  | 45         | 5          | 86        | 3         | --         | 14      |
| Interest expense and amortisation of debt issuance costs... | (77)       | (64)       | (166)     | (63)      | --         | (5,548) |
| Net income (loss).....                                      | (7,122)    | (5,894)    | 379       | (322)     | --         | (294)   |
| Total assets.....   | 74,147     | 94,375     | 23,952    | 40,388    | \$ 244,044 | 54,578  |
| Capital expenditures.....                                   | 2,481      | 1,347      | 68        | 518       | --         | 1,137   |

<CAPTION>

|   | INTERSEGMENT<br>ELIMINATIONS | TOTAL      |
|---|------------------------------|------------|
| <S>   | <C>                          | <C>        |
| Revenues.....   | \$ (11,437)                  | \$ 550,141 |
| Depreciation and amortisation.....                          | --                           | 22,138     |
| Interest income.....  | --                           | 153        |
| Interest expense and amortisation of debt issuance costs... | --                           | (5,918)    |
| Net income (loss).....                                      | --                           | (13,253)   |
| Total assets.....   | (74,053)                     | 457,431    |
| Capital expenditures.....                                   | --                           | 5,551      |
| United States.....  |                              |            |
| Canada.....   |                              |            |
| Europe.....   |                              |            |
| Asia.....   |                              |            |

<CAPTION>

|                    | REVENUES           | LONG-LIVED<br>ASSETS |
|--------------------|--------------------|----------------------|
| <S>                | (UNAUDITED)<br><C> | (UNAUDITED)<br><C>   |
| United States..... | \$ 479,378         | \$ 91,775            |
| Canada.....        | 70,763             | 7,177                |
| Europe.....        | --                 | 33,106               |
| Asia.....          | --                 | 14,874               |
|                    | \$ 550,141         | \$ 146,932           |

</TABLE>

#### 11. SUBSEQUENT EVENTS (UNAUDITED)

On October 28, 1997 the Company refinanced its indebtedness with \$110 million of 9.75% Senior Notes ("Notes") due in 2007. The Notes are unsecured senior obligations of the Company that are guaranteed by certain of the Company's domestic subsidiaries, representing substantially all of the Company's assets. In connection with the refinancing, the Company recorded an extraordinary loss of approximately \$3.9 million (\$2.3 million net of tax) related to the write-off of unamortised deferred financing costs associated with the retired indebtedness.

On October 28, 1997 the Company entered into a new revolving credit facility (the "New Credit Facility") replacing the old Revolver. The New Credit Facility provides for \$100 million borrowing capacity with sublimits for LEP U.K. of \$30 million and letters of credit of \$60 million. The Amended Revolver bears interest at the lesser of LIBOR plus 2.0% or prime plus 0.5% and expires in 2007. Effective April 1, 1998, the interest rate spreads on LIBOR and prime will be based on a ratio of EBITDA to funded debt. Commitment fees are payable quarterly at 0.125% of any unavailable and unused commitment, 0.25% of any available but unused commitment up to \$50 million and 0.375% of any available but unused commitment in excess of \$50 million.

On December 12 and 15, 1997 the Company exercised all of the remaining LIW options for common and preference shares for an aggregate exercise price of \$9.4 million. Upon exercise, LIW became a wholly-owned subsidiary of the Company.

F-20

#### LEP INTERNATIONAL WORLDWIDE LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES

As described in the basis of preparation (Note 1 on page F-27), the combined and consolidated financial statements do not constitute the statutory accounts of LEP International Worldwide Limited (the "Company") prepared in accordance with the Companies Act 1985. Nevertheless, the Directors acknowledge their responsibility for the preparation of the combined and consolidated financial statements and for ensuring that they present fairly the state of affairs of the Company and its subsidiaries as at the end of each financial year and of the loss of that group of companies for each financial year.



The Directors consider that in preparing the combined and consolidated financial statements on pages F-22 to F-47 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all the accounting standards which they consider to be applicable have been followed.

F-21

ACCOUNTANTS' REPORT TO THE DIRECTORS OF  
LEP INTERNATIONAL WORLDWIDE LIMITED

To the Board of Directors and Shareholders of  
LEP International Worldwide Limited:

We have audited the accompanying consolidated balance sheet of LEP International Worldwide Limited and its subsidiaries (the Company or LIW) as of 31 December, 1996 and the combined balance sheet of its predecessor company and subsidiaries (LIW Predecessor) as of 31 December 1995 and the related combined and consolidated statements of profit and loss accounts and of cash flows for the periods 24 January 1996 to 31 December 1996, 1 January 1996 to 23 January 1996 and the years ended 31 December 1995 and 1994. The basis of preparation of these financial statements is set out in note 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom which do not differ in any material respect from auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined and consolidated financial statements audited by us present fairly, in all material respects, the financial position of the Company and LIW Predecessor at 31 December 1996 and 1995, and the results of their operations and their cash flows for the periods ended 31 December 1996, 23 January 1996, 31 December 1995 and 1994 in conformity with generally accepted accounting principles in the United Kingdom consistently applied.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of combined and consolidated net income, expressed in pounds sterling, for each of the periods ended 31 December 1996, 23 January 1996, 31 December 1995 and 1994 and the determination of the combined and consolidated financial position expressed in pounds sterling at 31 December 1996 and 1995 to the extent summarised in notes 24 and 25 to the combined and consolidated financial statements.

Price Waterhouse  
Chartered Accountants  
London, England  
3 October 1997

F-22

LEP INTERNATIONAL WORLDWIDE LIMITED  
COMBINED AND CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER:

<TABLE>  
<CAPTION>

<S>

FIXED ASSETS

Tangible assets

- property..... 9 25,865 18,718  
- other..... 10 7,715 3,588

Investments

- associated undertakings..... 11 9,013 2,086  
- other..... 12 378 283

|      | LIW PREDECESSOR | LIW    |
|------|-----------------|--------|
|      | 1995            | 1996   |
| NOTE | L'000           | L'000  |
| <C>  | <C>             | <C>    |
|      | 42,971          | 24,675 |

|  |         |           |           |
|--|---------|-----------|-----------|
| CURRENT ASSETS   |         |           |           |
| Debtors.....   | 13      | 164,012   | 112,913   |
| Cash and short term deposits.....                            |         | 17,877    | 14,618    |
|  |         | -----     | -----     |
|  |         | 181,889   | 127,531   |
| Creditors: amounts falling due within one year.....          | 14 & 16 | (186,304) | (122,376) |
|  |         | -----     | -----     |
| Net current (liabilities)/assets.....                        |         | (4,415)   | 5,155     |
|  |         | -----     | -----     |
| Total assets less current liabilities.....                   |         | 38,556    | 29,830    |
| Creditors: amounts falling due after more than one year..... | 15 & 16 | (21,679)  | (17,160)  |
| Provisions for liabilities and charges.....                  | 18      | (387)     | (101)     |
|  |         | -----     | -----     |
|  |         | 16,490    | 12,569    |
|  |         | -----     | -----     |
| CAPITAL AND RESERVES   |         |           |           |
| Shareholders' funds.....                                     | 20      | 15,035    | 11,122    |
| Equity minority interests.....                               |         | 1,455     | 1,447     |
|  |         | -----     | -----     |
|  |         | 16,490    | 12,569    |
|  |         | -----     | -----     |

<CAPTION>

|  |           |  |
|--|-----------|--|
|  | US\$'000  |  |
|  | -----     |  |
| <S>  | <C>       |  |
| FIXED ASSETS   |           |  |
| Tangible assets  |           |  |
| - property.....  | 30,295    |  |
| - other.....   | 5,807     |  |
| Investments  |           |  |
| - associated undertakings.....                               | 3,376     |  |
| - other.....   | 458       |  |
|  | -----     |  |
|  | 39,936    |  |
|  | -----     |  |
| CURRENT ASSETS   |           |  |
| Debtors.....   | 182,750   |  |
| Cash and short term deposits.....                            | 23,659    |  |
|  | -----     |  |
|  | 206,409   |  |
| Creditors: amounts falling due within one year.....          | (198,066) |  |
|  | -----     |  |
| Net current (liabilities)/assets.....                        | 8,343     |  |
|  | -----     |  |
| Total assets less current liabilities.....                   | 48,279    |  |
| Creditors: amounts falling due after more than one year..... | (27,773)  |  |
| Provisions for liabilities and charges.....                  | (163)     |  |
|  | -----     |  |
|  | 20,343    |  |
|  | -----     |  |
|  | -----     |  |
| CAPITAL AND RESERVES   |           |  |
| Shareholders' funds.....                                     | 18,001    |  |
| Equity minority interests.....                               | 2,342     |  |
|  | -----     |  |
|  | 20,343    |  |
|  | -----     |  |
|  | -----     |  |

</TABLE>

The combined and consolidated financial statements were approved by the Board of Directors on 3 October 1997 and are signed on its behalf by

|          |                        |
|----------|------------------------|
| <TABLE>  |                        |
| <S>      | <C>                    |
| J Wasp   | M C Alexander Director |
| Director | Director               |
| </TABLE> |                        |

The notes on pages F-27 to F-47 form part of these combined and consolidated financial statements.

F-23

LEP INTERNATIONAL WORLDWIDE LIMITED  
COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT AND LOSS ACCOUNTS

<TABLE>  
<CAPTION>

|                 |             |
|-----------------|-------------|
| LIW PREDECESSOR |             |
| -----           | -----       |
| YEAR END        | YEAR END    |
| 31 DEC 1994     | 31 DEC 1995 |

|  | NOTE   | L'000     | L'000     |
|--|--------|-----------|-----------|
| <S>  | <C>    | <C>       | <C>       |
| TURNOVER   |        |           |           |
| Continuing operations.....                                 |        | 735,078   | 736,942   |
| Discontinued operations.....                               |        | 361,299   | 369,281   |
|  | 3      | 1,096,377 | 1,106,223 |
| GROSS PROFIT   |        |           |           |
| Continuing operations.....                                 |        | 134,393   | 140,337   |
| Discontinued operations.....                               |        | 61,284    | 59,143    |
|  |        | 195,677   | 199,480   |
| OPERATING PROFIT/(LOSS)                                    | 4      |           |           |
| Continuing operations.....                                 |        | 1,574     | (9,547)   |
| Discontinued operations.....                               |        | 1,257     | (47)      |
|  | 3      | 2,831     | (9,594)   |
| SHARE OF LOSSES OF ASSOCIATED UNDERTAKINGS.....            |        | 14        | (1,021)   |
| TOTAL OPERATING PROFIT/(LOSS).....                         |        | 2,845     | (10,615)  |
| EXCEPTIONAL ITEMS.....                                     | 21 (a) | --        | --        |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST.....  |        | 2,845     | (10,615)  |
| Interest receivable and similar income.....                |        | 686       | 699       |
| Interest payable and similar charges.....                  | 5      | (2,671)   | (3,440)   |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION.....  |        | 860       | (13,356)  |
| Taxation.....  | 6      | (1,780)   | (5,987)   |
| (LOSS)/(PROFIT) ON ORDINARY ACTIVITIES AFTER TAXATION..... |        | (920)     | (19,343)  |
| Equity minority interests.....                             |        | (353)     | (397)     |
| RETAINED (LOSS)/PROFIT.....                                |        | (1,273)   | (19,740)  |

<CAPTION>

|   | LIW  |   |           |
|---|--|---|-----------|
|   | PERIOD<br>01 JAN -<br>23 JAN 1996<br>L'000 | PERIOD 24 JAN -<br>31 DEC 1996<br>L'000 | US\$'000  |
| <S>   | <C>  | <C>                                     | <C>       |
| TURNOVER  |  |   |           |
| Continuing operations.....                                | 45,503                                     | 678,596                                 | 1,098,308 |
| Discontinued operations.....                              | 22,859                                     | 280,268                                 | 453,614   |
|   | 68,362                                     | 958,864                                 | 1,551,922 |
| GROSS PROFIT  |  |   |           |
| Continuing operations.....                                | 8,946                                      | 133,406                                 | 215,918   |
| Discontinued operations.....                              | 3,798                                      | 46,561                                  | 75,359    |
|   | 12,744                                     | 179,967                                 | 291,277   |
| OPERATING PROFIT/(LOSS)                                   |  |   |           |
| Continuing operations.....                                | 539  | (2,477)                                 | (4,009)   |
| Discontinued operations.....                              | 13   | (1,019)                                 | (1,649)   |
|   | 552  | (3,496)                                 | (5,658)   |
| SHARE OF LOSSES OF ASSOCIATED UNDERTAKINGS                | (86)                                       | (1,283)                                 | (2,077)   |
| TOTAL OPERATING PROFIT/(LOSS).....                        | 466  | (4,779)                                 | (7,735)   |
| EXCEPTIONAL ITEMS.....                                    | --   | 5,800                                   | 9,387     |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST..... | 466  | 1,021                                   | 1,652     |
| Interest receivable and similar income.....               | 54   | 809                                     | 1,309     |
| Interest payable and similar charges.....                 | (152)                                      | (2,036)                                 | (3,295)   |

|  |       |         |         |
|--|-------|---------|---------|
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION.....  | 368   | (206)   | (334)   |
| Taxation.....  | (168) | (2,420) | (3,917) |
| (LOSS)/(PROFIT) ON ORDINARY ACTIVITIES AFTER TAXATION..... | 200   | (2,626) | (4,251) |
| Equity minority interests.....                             | (26)  | (386)   | (624)   |
| RETAINED (LOSS)/PROFIT.....                                | 174   | (3,012) | (4,875) |

</TABLE>

The notes on pages F-27 to F-47 form part of these combined and consolidated financial statements.

F-24

LEP INTERNATIONAL WORLDWIDE LIMITED  
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>

<CAPTION>

|  | NOTE   | LIW<br>PREDECESSOR<br>YEAR END<br>31 DEC 1994<br>L'000 |
|--|--------|--|
| <S>  | <C>    | <C>  |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES.....               | 19 (a) | 5,274  |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE INTEREST RECEIVED..... |        | 659  |
| Interest paid.....   |        | (2,541)  |
| Dividends paid to minority shareholders.....                           |        | (234)  |
| Dividends from associated undertakings.....                            |        | 295  |
|  |        | (1,821)  |
| TAXATION   |        | --   |
| Net UK tax (paid)/received.....  |        | (1,301)  |
| Overseas tax paid.....   |        | (1,301)  |
| INVESTING ACTIVITIES   |        |  |
| Purchase of fixed assets.....  |        | (1,935)  |
| Net disposals of trade investments.....                                |        | (8)  |
| Loans (made)/repaid by associates.....                                 |        | (278)  |
| Proceeds on disposal of fixed assets.....                              |        | 878  |
| Net proceeds on sale of North American operations.....                 | 21 (a) | --   |
| Sale of interest in Cronat Transport Holding AG.....                   | 21 (b) | --   |
| Purchase of subsidiary.....  |        | (199)  |
| Proceeds of sale of business.....                                      |        | 183  |
|  |        | (1,359)  |
| Net cash inflow/(outflow) before financing.....                        |        | 793  |
| FINANCING  |        |  |
| Additional loans (including finance leases).....                       |        | --   |
| Repayment of loans (including finance leases).....                     |        | (6,801)  |
| Net capital contribution (to)/from LEP Group plc.....                  |        | (2,903)  |
| Net cash (outflow)/inflow from financing.....                          |        | (9,704)  |
| (Decrease)/increase in cash and cash equivalents.....                  | 19 (b) | (8,911)  |

<CAPTION>

|                         | LIW<br>Predecessor           | LIW<br>PERIOD 24<br>JAN -<br>31 DEC<br>1996 |
|-------------------------|------------------------------|---|
| YEAR END<br>31 DEC 1995 | PERIOD<br>01 JAN -<br>23 JAN |   |

|  | L'000    | 1996 L'000 | L'000   |
|--|----------|------------|---------|
| <S>  | <C>      |            |         |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES.....               | (9,508)  | 108        | 1,292   |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE INTEREST RECEIVED..... | 699      | 54         | 809     |
| Interest paid.....   | (3,440)  | (152)      | (2,547) |
| Dividends paid to minority shareholders.....                           | (235)    | --         | (283)   |
| Dividends from associated undertakings.....                            | 232      | --         | 57      |
|  | (2,744)  | (98)       | (1,964) |
| TAXATION   |          |            |         |
| Net UK tax (paid)/received.....  | (985)    | --         | 187     |
| Overseas tax paid.....   | (2,044)  | (246)      | (2,380) |
|  | (3,029)  | (246)      | (2,193) |
| INVESTING ACTIVITIES   |          |            |         |
| Purchase of fixed assets.....  | (2,981)  | --         | (1,758) |
| Net disposals of trade investments.....                                | 716      | --         | --      |
| Loans (made)/repaid by associates.....                                 | 438      | --         | --      |
| Proceeds on disposal of fixed assets.....                              | 1,288    | 1,720      | 931     |
| Net proceeds on sale of North American operations.....                 | --       | --         | 6,038   |
| Sale of interest in Cronat Transport Holding AG.....                   | --       | 5,404      | --      |
| Purchase of subsidiary.....  | --       | --         | --      |
| Proceeds of sale of business.....                                      | --       | --         | --      |
|  | (539)    | 7,124      | 5,211   |
| Net cash inflow/(outflow) before financing.....                        | (15,820) | 6,888      | 2,346   |
| FINANCING  |          |            |         |
| Additional loans (including finance leases).....                       | 6,255    | 50         | 741     |
| Repayment of loans (including finance leases).....                     | (2,351)  | (394)      | (6,268) |
| Net capital contribution (to)/from LEP Group plc.....                  | 5,210    | (148)      | --      |
| Net cash (outflow)/inflow from financing.....                          | 9,114    | (492)      | (5,527) |
| (Decrease)/increase in cash and cash equivalents.....                  | (6,706)  | 6,396      | (3,181) |

<CAPTION>

|  | US\$'000 |
|--|----------|
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES.....               | 2,091    |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE INTEREST RECEIVED..... | 1,309    |
| Interest paid.....   | (4,122)  |
| Dividends paid to minority shareholders.....                           | (458)    |
| Dividends from associated undertakings.....                            | 92       |
|  | (3,179)  |
| TAXATION   |          |
| Net UK tax (paid)/received.....  | 303      |
| Overseas tax paid.....   | (3,852)  |
|  | (3,549)  |
| INVESTING ACTIVITIES   |          |
| Purchase of fixed assets.....  | (2,845)  |
| Net disposals of trade investments.....                                | --       |
| Loans (made)/repaid by associates.....                                 | --       |
| Proceeds on disposal of fixed assets.....                              | 1,507    |
| Net proceeds on sale of North American operations.....                 | 9,773    |
| Sale of interest in Cronat Transport Holding AG.....                   | --       |
| Purchase of subsidiary.....  | --       |
| Proceeds of sale of business.....                                      | --       |
|  | 8,435    |
| Net cash inflow/(outflow) before financing.....                        | 3,798    |
| FINANCING  |          |
| Additional loans (including finance leases).....                       | 1,199    |
| Repayment of loans (including finance leases).....                     | (10,145) |
| Net capital contribution (to)/from LEP Group plc.....                  | --       |
| Net cash (outflow)/inflow from financing.....                          | (8,946)  |
| (Decrease)/increase in cash and cash equivalents.....                  | (5,148)  |

</TABLE>

The notes on pages F-27 to F-47 form part of  
these combined and consolidated financial statements.

F-25

LEP INTERNATIONAL WORLDWIDE LIMITED  
STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

<TABLE>

<CAPTION>

<S>

|  | YEAR END<br>31 DEC 1994<br>L'000 | YEAR END<br>31 DEC 1995<br>L'000 |
|--|----------------------------------|----------------------------------|
|  | <C>                              | <C>                              |
| (Loss)/profit for the period.....  | (1,273)                          | (19,740)                         |
| Currency translation differences on foreign currency net investment..... | 1,068                            | (7)                              |
| Unrealised surplus on revaluation of property.....                       | --                               | 266                              |
|  | -----                            | -----                            |
| Total recognised (loss)/profit for the period.....                       | (205)                            | (19,481)                         |
|  | -----                            | -----                            |

<CAPTION>

<S>

|  | PERIOD<br>01 JAN -<br>23 JAN<br>1996 L'000 | PERIOD<br>24 JAN -<br>31 DEC<br>1996 L'000 |
|--|--|--|
|  | <C>  | <C>  |
| (Loss)/profit for the period.....  | 174  | (3,012)                                    |
| Currency translation differences on foreign currency net investment..... | (5)  | (922)                                      |
| Unrealised surplus on revaluation of property.....                       | --   | --   |
|  | -----                                      | -----                                      |
| Total recognised (loss)/profit for the period.....                       | 169  | (3,934)                                    |
|  | -----                                      | -----                                      |

</TABLE>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

<TABLE>

<CAPTION>

<S>

|  | YEAR END<br>31 DEC 1994<br>L'000 | YEAR END<br>31 DEC 1995<br>L'000 |
|--|----------------------------------|----------------------------------|
|  | <C>                              | <C>                              |
| Reported profit/(loss) on ordinary activities before taxation.....   | 860                              | (13,356)                         |
| Difference between historical cost depreciation charge and the actual depreciation charge for<br>the year calculated on the revalued amount..... | 247                              | 266                              |
|  | -----                            | -----                            |
| Historical cost profit/(loss) on ordinary activities before taxation.....  | 1,107                            | (13,090)                         |
|  | -----                            | -----                            |
| Historical cost (loss)/profit transferred (from)/to reserves.....  | (1,026)                          | (19,474)                         |
|  | -----                            | -----                            |

<CAPTION>

<S>

|  | PERIOD<br>01 JAN 1996-<br>23 JAN 1996<br>L'000 | PERIOD<br>24 JAN 1996-<br>31 DEC 1996<br>L'000 |
|--|--|--|
|  | <C>  | <C>  |
| Reported profit/(loss) on ordinary activities before taxation.....   | 368  | (206)  |
| Difference between historical cost depreciation charge and the actual depreciation charge for<br>the year calculated on the revalued amount..... | 16   | --   |
|  | -----  | -----  |
| Historical cost profit/(loss) on ordinary activities before taxation.....  | 384  | (206)  |
|  | -----  | -----  |
| Historical cost (loss)/profit transferred (from)/to reserves.....  | 190  | (3,012)  |
|  | -----  | -----  |

</TABLE>

The notes on pages F-27 to F-47 form part of  
these combined and consolidated financial statements.

F-26

LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

During 1994 and 1995 the operating companies comprising the freight forwarding interests of Wayrol plc (formerly LEP Group plc) were reorganised so as to separate these companies from the other interests of Wayrol plc and to better reflect the management and operating structure of the freight forwarding business. LEP International (Worldwide) Limited was formed in 1995 to be the new ultimate holding company for the freight forwarding companies, and, on 10 November 1995, acquired the freight forwarding companies and certain of their holding companies.

LEP International (Worldwide) Limited and its subsidiaries (LIW Predecessor) thus comprised the freight forwarding interests under Wayrol plc, with the exception of Intercontinentale Ostereiche Gesellschaft Fur Transport und Verkehrswesen GmbH and LEP International A/S which were not acquired.

On 24 January 1996 LEP International (Worldwide) Limited and LEP International A/S were acquired from Wayrol plc by LEP International Worldwide Limited (the Company or "LIW").

These combined and consolidated financial statements have been prepared to show the results of the Company and its subsidiaries from the date of acquisition of LEP International (Worldwide) Limited (the Predecessor Company, hereinafter referred to as "LIW Predecessor") and the results of LIW Predecessor and its subsidiaries (the Predecessor Group) as if the Predecessor Group had existed as a legal group from 1 January 1994. They have been prepared from the audited financial statements of the individual subsidiaries which comprise the freight forwarding business. The financial statements for the years ended 31 December 1994 and 1995 comprise the combined financial statements of the companies forming the freight forwarding interests of Wayrol plc with the exception of Intercontinentale Ostereiche Gesellschaft. The period from 1 January 1996 to 23 January 1996 comprises the consolidated financial statements of LEP International (Worldwide) Limited combined with those of LEP International A/S. The period from 24 January 1996 to 31 December 1996 comprises the consolidated financial statements of LEP International Worldwide Limited. Adjustments have been made to eliminate intercompany investments and other balances as appropriate.

These financial statements do not constitute the Company's statutory accounts prepared in accordance with section 227 of the Companies Act 1985.

On 31 October 1996 the Group sold its North American interests to International Logistics Limited (see Note 21a). International Logistics Limited also subscribed for shares in LEP International Worldwide Limited, giving it a 33.3% interest in the Group. International Logistics Limited also held an option to acquire further shares, which was exercised on 30 September 1997, thereby acquiring a controlling interest in the Group.

Amounts shown on the Accounts as of 31 December 1996 and for the period 24 January to 31 December 1996 have been converted into U.S. Dollars at a convenience rate of L1= U.S.\$1.6185 based on the closing rate on 30 September 1997.

2 ACCOUNTING POLICIES

The combined and consolidated financial statements have been prepared in accordance with applicable accounting standards.

All accounting policies have been applied consistently in preparing these combined and consolidated financial statements; a summary of the principal disclosures is set out below.

(I) ACCOUNTING CONVENTION

The combined and consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(II) BASIS OF CONSOLIDATION



The combined and consolidated financial statements include, on the basis described in Note 1 above, the results and net assets of the Company, including its share of the results of associated undertakings accounted for under the equity method of accounting.

Increases or reductions in inter-company balances with Wayrol plc and its non-Freight Forwarding Division subsidiaries during the period to 24 January 1996 have been treated as capital increases or reductions. Interest payable and receivable on these intercompany balances has been eliminated from the profit and loss account. Intercompany balances outstanding when the Company acquired the investment in the freight forwarding businesses were capitalised on 24 January 1996, the date of acquisition.

Companies in which the Company has an investment not exceeding 50% of the voting capital and over which it exerts significant influence are defined as associated undertakings. The combined and consolidated financial statements include the appropriate share of these companies' results and retained reserves.

### (III) TURNOVER

Turnover represents the total amount earned by the Company for services provided in the ordinary course of business. Turnover includes disbursements, customer VAT and customer duty payable on imports.

### (IV) DEPRECIATION

Tangible assets are written off over their estimated useful lives. The methods and rates are dependent on local conditions in the countries in which the Company operates and are adjusted for consolidation purposes where appropriate. Freehold land is not depreciated and other property, plant and equipment are depreciated over their estimated useful lives on a straight line basis principally as follows:

| <TABLE>                                  |  |
|--|--|
| <S>                                      |  |
| Freehold buildings.....                  | 50 years   |
| Leasehold land and buildings.....        | Lesser of 50 years<br>and the term of the<br>lease |
| Motor vehicles, plant and equipment..... | 3 to 10 years                                      |
| Furniture and fittings.....              | 3 to 10 years                                      |
| </TABLE>                                 |  |

### (V) PENSIONS

The Company operates a number of pension schemes for the benefit of employees. For defined benefit schemes, the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the pension cost over the expected service lives of employees who are in the plan. The basis used to spread the expected pension cost is that it should represent a substantially level percentage of the current and expected future pensionable salaries of the members of the plan. Variations from the expected regular pension cost are spread over the expected remaining service lives of the current employees who are members of the plan. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

### (VI) HOLIDAY PAY

The accounting policy with regard to the treatment of holiday pay entitlements reflects the matching of income and expenditure by accruing for such liabilities in all countries where holiday pay can be carried forward at the end of the year.

### (VII) TAXATION

Deferred taxation is provided using the liability method on timing differences which are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 ACCOUNTING POLICIES (CONTINUED)

The United Kingdom tax charge includes amounts payable to Wayrol plc and certain of its non-freight forwarding subsidiaries in respect of group tax relief transferred to the United Kingdom freight forwarding company.

No provision is made for any additional taxation which may arise on the distribution of profits and reserves retained by overseas subsidiary and associated undertakings. No account is taken of unrelieved tax losses which are available for set-off against future taxable profits of the companies concerned,

except where these offset timing differences in the deferred tax account.

(VIII) FOREIGN CURRENCIES

The results of overseas subsidiary and associated undertakings have been translated into sterling at average rates of exchange for the year. Assets and liabilities of overseas subsidiary and associated undertakings have been translated into sterling at year end rates of exchange. The difference on translating opening net assets is recorded as a movement on reserves. All other translation differences are taken to the profit and loss account.

(IX) GOODWILL

Goodwill, being cost less attributable fair value of net assets of subsidiaries at the date of acquisition, is written off directly to reserves in the year in which it arises. On the disposal of a subsidiary undertaking, the attributable goodwill is transferred from reserves and is charged to the profit and loss account.

(X) LEASING AND HIRE PURCHASE COMMITMENTS

Assets purchased under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Rentals paid under operating leases are charged to the profit and loss account as incurred.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 ANALYSIS OF RESULTS AND NET OPERATING ASSETS

<TABLE>

<CAPTION>

|   | YEAR END<br>31 DEC<br>1994<br>L'000 | YEAR END<br>31 DEC<br>1995<br>L'000 | PERIOD 01<br>JAN<br>1996<br>-23 JAN<br>1996<br>L'000 | PERIOD 24<br>JAN<br>1996<br>-31 DEC<br>1996<br>L'000 |
|---|-------------------------------------|-------------------------------------|--|--|
| <S>   | <C>                                 | <C>                                 | <C>  | <C>  |
| Turnover by geographic segment:   |                                     |                                     |  |  |
| United Kingdom.....   | 164,622                             | 157,660                             | 10,420   | 155,397  |
| Other Europe.....   | 413,350                             | 398,528                             | 23,728   | 353,864  |
| The Americas.....   | 361,299                             | 369,281                             | 22,859   | 280,268  |
| Asia Pacific and other.....   | 157,106                             | 180,754                             | 11,355   | 169,335  |
|   | 1,096,377                           | 1,106,223                           | 68,362   | 958,864  |
| Turnover is shown by geographic origin.   |                                     |                                     |  |  |
| Turnover by geographic destination is not materially different from that shown above. |                                     |                                     |  |  |
| Operating profit:   |                                     |                                     |  |  |
| Continuing operations   |                                     |                                     |  |  |
| Operating profit/(loss) before restructuring costs and provisions.....                | 3,015                               | (3,711)                             | 107  | 1,626  |
| Restructuring costs and provisions.....   | (1,441)                             | (5,836)                             | 432  | (4,103)  |
| Total continuing operations.....  | 1,574                               | (9,547)                             | 539  | (2,477)  |
| Discontinued operations.....  | 1,257                               | (47)                                | 13   | (1,019)  |
|   | 2,831                               | (9,594)                             | 552  | (3,496)  |
| Operating (loss) / profit by geographic segment:                                      |                                     |                                     |  |  |
| United Kingdom.....   | 1,678                               | (1,811)                             | 198  | (155)  |
| Other Europe.....   | (3,496)                             | (10,884)                            | 151  | (6,029)  |
| The Americas.....   | 1,257                               | (47)                                | 13   | (1,019)  |
| Asia Pacific and other.....   | 3,392                               | 3,148                               | 190  | 3,707  |
|   | 2,831                               | (9,594)                             | 552  | (3,496)  |
| Operating assets by geographic segment:   |                                     |                                     |  |  |
| United Kingdom.....   | (4,917)                             | (519)                               | (417)  | (2,825)  |
| Other Europe.....   | 14,681                              | 7,635                               | 2,239  | (1,249)  |
| The Americas.....   | 14,226                              | 18,816                              | 18,774   | --   |
| Asia Pacific and other.....   | 12,522                              | 12,451                              | 12,428   | 13,365   |
|   | 36,512                              | 38,383                              | 33,024   | 9,291  |

&lt;/TABLE&gt;

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## LEP INTERNATIONAL WORLDWIDE LIMITED

## NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 NET OPERATING COSTS

<TABLE>  
<CAPTION>

|   | YEAR END<br>1994<br>L'000 | YEAR END<br>1995<br>L'000 | PERIOD<br>END<br>23 JAN<br>1996<br>L'000 | PERIOD<br>END<br>31 DEC<br>1996<br>L'000 |
|---|---------------------------|---------------------------|--|--|
| <S>                                     | <C>                       | <C>                       | <C>                                      | <C>                                      |
| Continuing operations                   |                           |                           |  |  |
| Employee costs.....                     | 79,046                    | 86,962                    | 5,327                                    | 79,428                                   |
| Other operating costs.....              | 52,332                    | 57,086                    | 3,512                                    | 52,352                                   |
|   | 131,378                   | 144,048                   | 8,839                                    | 131,780                                  |
| Restructuring costs and provisions..... | 1,441                     | 5,836                     | (432)                                    | 4,103                                    |
|   | 132,819                   | 149,884                   | 8,407                                    | 135,883                                  |
| Discontinued operations                 |                           |                           |  |  |
| Employee costs.....                     | 37,292                    | 37,755                    | 2,315                                    | 28,379                                   |
| Other operating costs.....              | 22,673                    | 20,772                    | 1,470                                    | 18,034                                   |
|   | 59,965                    | 58,527                    | 3,785                                    | 46,413                                   |
| Restructuring costs and provisions..... | 62                        | 663                       | --                                       | 1,167                                    |
|   | 60,027                    | 59,190                    | 3,785                                    | 47,580                                   |

&lt;/TABLE&gt;

Net operating (income)/costs include:

<TABLE>  
<CAPTION>

|  | YEAR END<br>1994<br>L'000 | YEAR END<br>1995<br>L'000 | PERIOD END<br>23 JAN 1996<br>L'000 | PERIOD<br>END<br>31 DEC<br>1996<br>L'000 |
|--|---------------------------|---------------------------|------------------------------------|--|
| <S>  | <C>                       | <C>                       | <C>                                | <C>                                      |
| Investment income                            |                           |                           |                                    |  |
| --listed investments.....                    | (21)                      | (26)                      | --                                 | --                                       |
| --unlisted investments.....                  | (336)                     | (7)                       | (2)                                | (28)                                     |
| Depreciation                                 |                           |                           |                                    |  |
| --owned assets.....                          | 3,769                     | 3,370                     | 189                                | 2,697                                    |
| --finance leased & hire purchase assets..... | 901                       | 864                       | 55                                 | 727                                      |
| Operating lease rentals                      |                           |                           |                                    |  |
| --plant and machinery.....                   | 7,163                     | 7,561                     | 517                                | 7,251                                    |
| --other.....                                 | 7,998                     | 9,945                     | 595                                | 8,239                                    |
| Profit on disposal of fixed assets.....      | (82)                      | (115)                     | (76)                               | --                                       |

&lt;/TABLE&gt;

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## LEP INTERNATIONAL WORLDWIDE LIMITED

## NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

<TABLE>  
<CAPTION>

|   | YEAR END<br>1994<br>L'000 | YEAR END<br>1995<br>L'000 | PERIOD<br>END<br>23 JAN<br>1996<br>L'000 | PERIOD<br>END<br>31 DEC<br>1996<br>L'000 |
|---|---------------------------|---------------------------|--|--|
| <S>   | <C>                       | <C>                       | <C>                                      | <C>                                      |
| Interest payable and similar charges:   |                           |                           |  |  |
| On bank loans, overdrafts and other loans wholly repayable within five years..... | (1,931)                   | (3,034)                   | (644)                                    | (1,763)                                  |
| On all other loans.....   | (388)                     | (27)                      | (9)                                      | (129)                                    |

|   |         |         |       |         |
|---|---------|---------|-------|---------|
| Waiver of interest during refinancing and restructuring.....                                | --      | --      | 511   | --      |
| Finance charges:  |         |         |       |         |
| In respect of finance leases and hire purchase contracts terminating within five years..... | (337)   | (366)   | (10)  | (144)   |
| All other finance charges.....  | (15)    | (13)    | --    | --      |
|   | -----   | -----   | ----- | -----   |
|   | (2,671) | (3,440) | (152) | (2,036) |
|   | -----   | -----   | ----- | -----   |

</TABLE>

## 6 TAXATION

<TABLE>

<CAPTION>

|                        | YEAR END<br>1994<br>L'000 | YEAR END<br>1995<br>L'000 | PERIOD<br>END<br>23 JAN<br>1996<br>L'000 | PERIOD<br>END<br>31 DEC<br>1996<br>L'000 |
|------------------------|---------------------------|---------------------------|--|--|
|                        | -----                     | -----                     | -----                                    | -----                                    |
| <S>                    | <C>                       | <C>                       | <C>                                      | <C>                                      |
| United Kingdom:        |                           |                           |  |  |
| Current taxation.....  | (829)                     | (939)                     | --                                       | (5)                                      |
| Deferred taxation..... | (25)                      | (108)                     | (3)                                      | (41)                                     |
| Prior year.....        | 625                       | (549)                     | 10                                       | 142                                      |
| Overseas:              |                           |                           |  |  |
| Current taxation.....  | (1,207)                   | (1,844)                   | (163)                                    | (2,341)                                  |
| Deferred taxation..... | (256)                     | 72                        | 3  | 49                                       |
| Prior year.....        | (88)                      | (2,619)                   | (15)                                     | (224)                                    |
|                        | -----                     | -----                     | -----                                    | -----                                    |
|                        | (1,780)                   | (5,987)                   | (168)                                    | (2,420)                                  |
|                        | -----                     | -----                     | -----                                    | -----                                    |

</TABLE>

The tax charge is disproportionate to the Company's loss before tax primarily as a result of surplus losses in many countries which are not recognised for deferred tax purposes.

The United Kingdom tax charge in 1995 represents group relief payable to Wayrol plc and certain of its non-freight forwarding subsidiaries in respect of tax losses transferred to the United Kingdom freight forwarding company.

Surplus advance corporation tax of approximately L595,000 (1995, L595,000) is available for offset against future United Kingdom corporation tax liabilities of the United Kingdom freight forwarding company.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7 EMPLOYEES

<TABLE>

<CAPTION>

|  | YEAR END<br>31 DEC<br>1994<br>NUMBER | YEAR END<br>31 DEC<br>1995<br>NUMBER | PERIOD END<br>23 JAN 1996<br>NUMBER | PERIOD END<br>31 DEC 1996<br>NUMBER |
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
|  | -----                                | -----                                | -----                               | -----                               |
| <S>  | <C>                                  | <C>                                  | <C>                                 | <C>                                 |
| The average number of employees during the year was: |                                      |                                      |                                     |                                     |
| United Kingdom.....                                  | 908                                  | 956                                  | 954                                 | 899                                 |
| Other Europe.....                                    | 1,959                                | 1,735                                | 1,563                               | 1,536                               |
| The Americas.....                                    | 1,335                                | 1,227                                | 1,232                               | 1,249                               |
| Asia Pacific.....                                    | 1,273                                | 1,493                                | 1,504                               | 1,520                               |
|  | -----                                | -----                                | -----                               | -----                               |
|  | 5,475                                | 5,411                                | 5,253                               | 5,204                               |
|  | -----                                | -----                                | -----                               | -----                               |
|  | L'000                                | L'000                                | L'000                               | L'000                               |
|  | -----                                | -----                                | -----                               | -----                               |
| Payroll costs were:                                  |                                      |                                      |                                     |                                     |
| Wages and salaries.....                              | 96,974                               | 103,717                              | 6,357                               | 89,681                              |
| Social security costs.....                           | 15,752                               | 17,618                               | 1,101                               | 15,390                              |
| Pension costs.....                                   | 3,495                                | 3,382                                | 184                                 | 2,736                               |
|  | -----                                | -----                                | -----                               | -----                               |
|  | 116,221                              | 124,717                              | 7,642                               | 107,807                             |
|  | -----                                | -----                                | -----                               | -----                               |

</TABLE>

## 8 PENSIONS

<TABLE>  
<CAPTION>

|  | YEAR END<br>31 DEC<br>1994<br>L'000 | YEAR END<br>31 DEC<br>1995<br>L'000 | PERIOD<br>01 JAN 1996<br>- 23 JAN<br>1996<br>L'000 | PERIOD<br>24 JAN<br>1996 -<br>31 DEC<br>1996<br>L'000 |
|--|-------------------------------------|-------------------------------------|--|---|
| <S>  | <C>                                 | <C>                                 | <C>  | <C>   |
| Pension cost of the Company.....           | 3,495                               | 3,382                               | 184  | 2,736   |
| Amount attributable to overseas plans..... | 1,814                               | 1,329                               | 78   | 1,159   |

</TABLE>

The Company operates a number of pension plans throughout the world. The major plans are of the defined benefit type. With the exception of the plan in Germany, the assets of the major plans are held in separate trustee administered funds. The plans are funded in accordance with local practice and contributions are assessed in accordance with the advice of local actuaries.

The pension cost relating to the United Kingdom plan is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial valuation of the main United Kingdom plan was at 31 December 1995. It was assumed that investment returns would be 2.5% higher than the annual increase in pensionable salaries and 4.0% higher than the annual increase in present and future pensions in payment. In aggregate, at the date of the most recent actuarial valuation, the market value of the assets in the main United Kingdom plan was L40,045,000 and the actuarial value of the assets was sufficient to cover the benefits accrued to members on an ongoing basis after allowing for 6.5% p.a. future salary increases. Following the valuation as at 31 December 1995 the Company's contribution to this pension plan was reduced.

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## LEP INTERNATIONAL WORLDWIDE LIMITED

## NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9 TANGIBLE ASSETS--PROPERTY

<TABLE>  
<CAPTION>

|                           | FREEHOLD<br>L'000 | LONG<br>LEASEHOLD<br>L'000 | SHORT<br>LEASEHOLD<br>L'000 | TOTAL<br>L'000 |
|---------------------------|-------------------|----------------------------|-----------------------------|----------------|
| <S>                       | <C>               | <C>                        | <C>                         | <C>            |
| Cost or valuation:        |                   |                            |                             |                |
| At 1 January 1996.....    | 15,754            | 2,580                      | 17,482                      | 35,816         |
| Exchange adjustments..... | (1,511)           | (86)                       | (2,493)                     | (4,090)        |
| Additions.....            | 4                 | --                         | 1                           | 5              |
| Disposals.....            | (1,792)           | --                         | --                          | (1,792)        |
| Companies sold.....       | (1,622)           | --                         | (1,776)                     | (3,398)        |
| At 31 December 1996.....  | 10,833            | 2,494                      | 13,214                      | 26,541         |
| Depreciation:             |                   |                            |                             |                |
| At 1 January 1996.....    | (2,637)           | (193)                      | (7,121)                     | (9,951)        |
| Exchange adjustments..... | 380               | 6                          | 960                         | 1,346          |
| Charge for the year.....  | (354)             | (49)                       | (612)                       | (1,015)        |
| Disposals.....            | 77                | --                         | --                          | 77             |
| Companies sold.....       | 204               | --                         | 1,516                       | 1,720          |
| At 31 December 1996.....  | (2,330)           | (236)                      | (5,257)                     | (7,823)        |
| Net book value:           |                   |                            |                             |                |
| At 31 December 1996.....  | 8,503             | 2,258                      | 7,957                       | 18,718         |
| At 31 December 1995.....  | 13,117            | 2,387                      | 10,361                      | 25,865         |

</TABLE>

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## 10 TANGIBLE ASSETS--OTHER

<TABLE>  
<CAPTION>

|                                      | MOTOR VEHICLES<br>PLANT &<br>MACHINERY L'000 | COMPUTER<br>EQUIPMENT<br>L'000 | FURNITURE<br>AND<br>FITTINGS<br>L'000 | TOTAL L'000 |
|--------------------------------------|--|--------------------------------|---------------------------------------|-------------|
| <S>                                  | <C>  | <C>                            | <C>                                   | <C>         |
| Cost or valuation:                   |  |                                |                                       |             |
| At 1 January 1996.....               | 39,041                                       | --                             | 10,102                                | 49,143      |
| Reclassification.....                | (9,060)                                      | 10,445                         | (1,385)                               | --          |
| Exchange adjustments.....            | (3,032)                                      | (413)                          | (707)                                 | (4,152)     |
| Additions.....                       | 827  | 352                            | 574                                   | 1,753       |
| Disposals.....                       | (763)  | (790)                          | (224)                                 | (1,777)     |
| Companies sold.....                  | (10,719)                                     | --                             | (3,153)                               | (13,872)    |
| At 31 December 1996.....             | 16,294                                       | 9,594                          | 5,207                                 | 31,095      |
| Depreciation:                        |  |                                |                                       |             |
| At 1 January 1996.....               | (32,343)                                     | --                             | (9,085)                               | (41,428)    |
| Reclassification.....                | 7,779  | (9,137)                        | 1,358                                 | --          |
| Exchange adjustments.....            | 2,684  | 1,079                          | 637                                   | 4,400       |
| Charge for the year.....             | (1,629)                                      | (615)                          | (409)                                 | (2,653)     |
| Disposals.....                       | 663  | 65                             | 189                                   | 917         |
| Companies sold.....                  | 8,226  | --                             | 3,031                                 | 11,257      |
| At 31 December 1996.....             | (14,620)                                     | (8,608)                        | (4,279)                               | (27,507)    |
| Net book value:                      |  |                                |                                       |             |
| At 31 December 1996.....             | 1,674  | 986                            | 928                                   | 3,588       |
| Finance leases included therein..... | 869  | 23                             | --                                    | 892         |
| At 31 December 1995.....             | 6,698  | --                             | 1,017                                 | 7,715       |
| Finance leases included therein..... | 2,351  | --                             | 29                                    | 2,380       |

</TABLE>

Outstanding contracts for capital expenditure at 31 December 1996 not provided in these combined and consolidated financial statements amounted to LNIL (1995 -L271,000). Capital expenditure authorised but not contracted for at 31 December 1996 is estimated at LNIL (1995--L78,000).

## 11 INVESTMENTS--ASSOCIATED UNDERTAKINGS

The movement of the investment in associated undertakings is as follows:

<TABLE>  
<CAPTION>

|  | 1995<br>L'000 | 1996<br>L'000 |
|--|---------------|---------------|
| <S>  | <C>           | <C>           |
| At 1 January.....                                  | 9,974         | 9,013         |
| Exchange adjustments.....                          | 757           | (97)          |
| Additions.....                                     | 109           | --            |
| Share of undistributed results.....                | (1,253)       | (1,426)       |
| Reclassification to subsidiary.....                | (43)          | --            |
| Decrease in loans.....                             | (438)         | --            |
| Investments written down.....                      | (93)          | --            |
| Associated undertaking sold (see note 21 (b))..... | --            | (5,404)       |
| At 31 December.....                                | 9,013         | 2,086         |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11 INVESTMENTS--ASSOCIATED UNDERTAKINGS (CONTINUED)

The values at 31 December in each of the years represents the Company's share of the net tangible assets in its associated undertakings.

<TABLE>  
<CAPTION>

YEAR END                      YEAR END                      PERIOD END                      PERIOD END

|   | 31 DEC<br>1994<br>L'000 | 31 DEC<br>1995<br>L'000 | 23 JAN<br>1996<br>L'000 | 31 DEC<br>1996<br>L'000 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| <S>   | <C>                     | <C>                     | <C>                     | <C>                     |
| Dividends from associated undertakings..... | 109                     | 232                     | --                      | 57                      |

</TABLE>

The principal associated undertaking is:

| <TABLE>                |  |                    |                    |                       |
|------------------------|--|--------------------|--------------------|-----------------------|
| <CAPTION>              |  |                    |                    |                       |
| NAME OF COMPANY        | NOMINAL AMOUNT OF EACH CLASS OF<br>SHARE CAPITAL AND ISSUED DEBT | NUMBER IN<br>ISSUE | PERCENTAGE<br>HELD | NATURE OF<br>BUSINESS |
| <S>                    | <C>  | <C>                | <C>                | <C>                   |
| LEP Albarelli SpA..... | 1000 Lire ordinary shares  | 9,000,000          | 50%                | Freight<br>forwarding |

</TABLE>

The carrying values of the associated undertakings are as follows:

| <TABLE>  |               |               |
|--|---------------|---------------|
| <CAPTION>  |               |               |
|  | 1995<br>L'000 | 1996<br>L'000 |
| <S>  | <C>           | <C>           |
| LEP Albarelli SpA.....                             | 3,511         | 1,994         |
| Cronat Transport Holding AG (see note 21 (b))..... | 5,404         | --            |
| Other.....   | 98            | 92            |
|  | 9,013         | 2,086         |

</TABLE>

In 1996, the Company entered negotiations to acquire the remaining 50% interest in LEP Albarelli SpA.

#### 12 INVESTMENTS--OTHER

| <TABLE>  |               |               |
|--|---------------|---------------|
| <CAPTION>  |               |               |
|  | 1995<br>L'000 | 1996<br>L'000 |
| <S>  | <C>           | <C>           |
| Listed--recognised stock exchanges outside the United Kingdom..... | 29            | 25            |
| Unlisted.....  | 349           | 258           |
|  | 378           | 283           |

</TABLE>

The market value of investments is not materially different from their carrying value shown in these combined and consolidated financial statements.

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LEP INTERNATIONAL WORLDWIDE LIMITED

#### NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13 DEBTORS

| <TABLE>                                     |               |               |
|---|---------------|---------------|
| <CAPTION>                                   |               |               |
|   | 1995<br>L'000 | 1996<br>L'000 |
| <S>   | <C>           | <C>           |
| Trade debtors.....                          | 128,394       | 92,417        |
| Amount owed by associated undertakings..... | 2,614         | 2,122         |
| Other debtors.....                          | 27,266        | 13,781        |
| Prepayments.....                            | 5,738         | 4,593         |
|   | 164,012       | 112,913       |

</TABLE>

#### 14 CREDITORS--AMOUNTS FALLING DUE WITHIN ONE YEAR



<TABLE>  
<CAPTION>

|   | 1995<br>L'000 | 1996<br>L'000 |
|---|---------------|---------------|
| <S>   | <C>           | <C>           |
| Bank loans and overdrafts                   |               |               |
| --secured.....                              | 33,391        | 8,722         |
| --unsecured.....                            | 777           | 81            |
| Other loans                                 |               |               |
| --secured.....                              | 532           | 230           |
| --unsecured.....                            | 53            | --            |
| Finance leases                              |               |               |
| --secured.....                              | 820           | 359           |
|   | -----         | -----         |
|   | 35,573        | 9,392         |
| Trade creditors.....                        | 73,568        | 56,933        |
| Amount owed to associated undertakings..... | 2,994         | 910           |
| Taxation and social security.....           | 3,973         | 5,151         |
| Other creditors.....                        | 40,167        | 30,799        |
| Accruals and deferred income.....           | 30,029        | 19,191        |
|   | -----         | -----         |
|   | 186,304       | 122,376       |
|   | -----         | -----         |

</TABLE>

15 CREDITORS--AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

<TABLE>  
<CAPTION>

|  | 1995<br>L'000 | 1996<br>L'000 |
|--|---------------|---------------|
| <S>  | <C>           | <C>           |
| Bank loans and overdrafts                      |               |               |
| --secured.....                                 | 1,723         | 1,370         |
| Other loans                                    |               |               |
| --secured.....                                 | 384           | --            |
| Finance leases                                 |               |               |
| --secured.....                                 | 1,703         | 477           |
|  | -----         | -----         |
|  | 3,810         | 1,847         |
| Pension liabilities not separately funded..... | 13,911        | 11,816        |
| Other long term creditors.....                 | 3,958         | 3,497         |
|  | -----         | -----         |
|  | 21,679        | 17,160        |
|  | -----         | -----         |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 NET (BORROWINGS)/CASH AT BANK

<TABLE>  
<CAPTION>

|   | 1995<br>L'000 | 1996<br>L'000 |
|---|---------------|---------------|
| <S>   | <C>           | <C>           |
| Bank loans, overdrafts, finance leases and other loans: |               |               |
| Included in creditors due after one year:               |               |               |
| Not wholly repayable within five years.....             | (384)         | (897)         |
| Wholly repayable within five years.....                 | (3,426)       | (950)         |
|   | -----         | -----         |
|   | (3,810)       | (1,847)       |
| Included in creditors due within one year.....          | (35,573)      | (9,392)       |
|   | -----         | -----         |
| Gross borrowings.....                                   | (39,383)      | (11,239)      |
| Cash and short term deposits.....                       | 17,877        | 14,618        |
|   | -----         | -----         |
| Net (borrowings)/cash.....                              | (21,506)      | 3,379         |
|   | -----         | -----         |

</TABLE>

<TABLE>  
<CAPTION>

1995  
L'000

1996  
L'000

|   |        |        |
|---|--------|--------|
| <S>   |        |        |
| Details of loans not wholly repayable within five years are as follows:   |        |        |
| Bank borrowings.....  | --     | 897    |
| Other borrowings.....   | 384    | --     |
|   | 384    | 897    |
| Included in loans not wholly repayable within five years are aggregate installments due after more than five years..... | 154    | 100    |
| Gross borrowings comprise amounts repayable as:   |        |        |
| Bank borrowings:  |        |        |
| On demand or within one year.....   | 34,168 | 8,803  |
| Between one and two years.....  | 805    | 578    |
| Between two and five years.....   | 918    | 692    |
| In five years or more.....  | --     | 100    |
|   | 35,891 | 10,173 |
| Finance leases, hire purchase contracts and other borrowings:   |        |        |
| On demand or within one year.....   | 1,405  | 589    |
| Between one and two years.....  | 823    | 363    |
| Between two and five years.....   | 1,110  | 114    |
| In five years or more.....  | 154    | --     |
|   | 3,492  | 1,066  |
| Total borrowings.....   | 39,383 | 11,239 |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 LEASE COMMITMENTS

The Company's annual commitments under non-cancellable operating leases are as follows:

<TABLE>

<CAPTION>

|                                 | 1995                        |                | 1996                        |                |
|---------------------------------|-----------------------------|----------------|-----------------------------|----------------|
| <S>                             | <C>                         | <C>            | <C>                         | <C>            |
|                                 | LAND AND BUILDINGS<br>L'000 | OTHER<br>L'000 | LAND AND BUILDINGS<br>L'000 | OTHER<br>L'000 |
| Operating leases which expire:  |                             |                |                             |                |
| Within one year.....            | 1,363                       | 1,481          | 1,365                       | 1,525          |
| Between two and five years..... | 4,118                       | 4,998          | 1,983                       | 2,360          |
| In five years or more.....      | 4,258                       | 925            | 3,299                       | 103            |
|                                 | 9,739                       | 7,404          | 6,647                       | 3,988          |

</TABLE>

18 PROVISIONS FOR LIABILITIES AND CHARGES

<TABLE>

<CAPTION>

|  | 1995<br>L'000 | 1996<br>L'000 |
|--|---------------|---------------|
| <S>  | <C>           | <C>           |
| Deferred tax in respect of timing differences: |               |               |
| At 1 January.....                              | 290           | 387           |
| (Charge)/credit for the year.....              | 79            | (8)           |
| Net transfers in respect of group relief.....  | --            | --            |
| Exchange adjustment.....                       | 18            | 5             |
| Companies sold.....                            | --            | (283)         |
| At 31 December.....                            | 387           | 101           |

</TABLE>

## 19 CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities:

&lt;TABLE&gt;

&lt;CAPTION&gt;

|  | YEAR END<br>31 DEC<br>1994<br>L'000 | YEAR END<br>31 DEC<br>1995<br>L'000 | PERIOD 01 JAN<br>1996<br>-23 JAN 1996<br>L'000 | PERIOD 24 JAN<br>1996<br>-31 DEC 1996<br>L'000 |
|--|-------------------------------------|-------------------------------------|--|--|
| <S>  | <C>                                 | <C>                                 | <C>  | <C>  |
| Operating (loss) / profit.....                           | 2,831                               | (9,594)                             | 552  | (3,496)  |
| Depreciation.....  | 4,670                               | 4,234                               | 244  | 3,424  |
| Profit on sale of fixed assets.....                      | 82                                  | (115)                               | (5)  | (71)   |
| Write-down of unlisted investment.....                   | --                                  | --                                  | --   | 33   |
| Increase in debtors.....                                 | (2,210)                             | (7,262)                             | (503)  | (7,499)  |
| Decrease/increase in creditors.....                      | (99)                                | 3,229                               | (180)  | 8,901  |
| Net cash inflow/(outflow) from operating activities..... | 5,274                               | (9,508)                             | 108  | 1,292  |

&lt;/TABLE&gt;

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19 CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in cash and cash equivalents during the year:

&lt;TABLE&gt;

&lt;CAPTION&gt;

|   | YEAR END<br>1994 L'000 | YEAR END<br>1995 L'000 | PERIOD END 23<br>JAN 1996 L'000 | PERIOD END 31<br>DEC 1996 L'000 |
|---|------------------------|------------------------|---------------------------------|---------------------------------|
| <S>   | <C>                    | <C>                    | <C>                             | <C>                             |
| Opening balance.....  | 6,929                  | (1,280)                | (7,986)                         | (1,590)                         |
| Net cash inflow/(outflow) before adjusting for the effect<br>of foreign exchange rate changes and non cash flow<br>items..... | (8,911)                | (6,706)                | 6,396                           | (3,181)                         |
| Bank loans and overdrafts sold as part of the net assets<br>of the North American operation (see note 21a).....               | --                     | --                     | --                              | 13,016                          |
| Waiver of interest during refinancing and restructuring...  | --                     | --                     | --                              | 511                             |
| Effect of foreign exchange rate changes.....  | 702                    | --                     | --                              | (958)                           |
| Closing balance.....  | (1,280)                | (7,986)                | (1,590)                         | 7,798                           |

&lt;/TABLE&gt;

(c) Analysis of the balance of cash and cash equivalents:

&lt;TABLE&gt;

&lt;CAPTION&gt;

|                                | YEAR END<br>31 DEC<br>1994<br>L'000 | YEAR END<br>31 DEC<br>1995<br>L'000 | PERIOD 01 JAN 1996<br>-23 JAN 1996<br>L'000 | PERIOD 24 JAN 1996<br>-31 DEC 1996<br>L'000 |
|--------------------------------|-------------------------------------|-------------------------------------|---|---|
| <S>                            | <C>                                 | <C>                                 | <C>   | <C>   |
| Cash at bank and in hand.....  | 14,274                              | 17,877                              | 17,672                                      | 14,618                                      |
| Bank loans and overdrafts..... | (15,554)                            | (25,863)                            | (19,262)                                    | (6,820)                                     |
|                                | (1,280)                             | (7,986)                             | (1,590)                                     | 7,798                                       |

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

|                                 | CHANGE IN<br>1994 L'000 | CHANGE IN<br>1995 L'000 | CHANGE IN PERIOD<br>01 JAN 1996 -<br>23 JAN 1996<br>L'000 | CHANGE IN PERIOD<br>24 JAN 1996 -<br>31 DEC 1996<br>L'000 |
|---------------------------------|-------------------------|-------------------------|---|---|
| <S>                             | <C>                     | <C>                     | <C>   | <C>   |
| Cash at bank and in hand.....   | 2,014                   | 3,603                   | (205)   | (3,054)   |
| Bank loans plus overdrafts..... | (10,223)                | (10,309)                | 6,601   | 12,442  |
|                                 | (8,209)                 | (6,706)                 | 6,396   | 9,388   |

</TABLE>

Amounts receivable after more than three months from the date of deposit included in cash at bank:

<TABLE>

<CAPTION>

<S>

|     | 1994<br>L'000 | 1995<br>L'000 | 1996<br>L'000 |
|-----|---------------|---------------|---------------|
|     | -----         | -----         | -----         |
| <C> | <C>           | <C>           | <C>           |
|     | 445           | 63            | --            |
|     | ---           | --            | ---           |
|     | ---           | --            | ---           |

</TABLE>

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## 20 SHAREHOLDERS' FUNDS

Up to 23 January 1996 shareholders' funds represented the net assets of the constituent companies:

<TABLE>

<CAPTION>

|   | 1994<br>L'000 | 1995<br>L'000 | 23 JAN<br>1996<br>L'000 |
|---|---------------|---------------|-------------------------|
|   | -----         | -----         | -----                   |
| <S>   | <C>           | <C>           | <C>                     |
| Brought forward.....                          | 35,944        | 29,306        | 15,035                  |
| Prior period adjustment re holiday pay.....   | (3,493)       | --            | --                      |
| Profit/(loss) written off for the period..... | (1,165)       | (19,740)      | 174                     |
| Revaluations/goodwill write-off.....          | (145)         | 266           | --                      |
| Exchange adjustment.....                      | 1,068         | (7)           | --                      |
| Net capital (reduction)/contribution.....     | (2,903)       | 5,210         | --                      |
|   | -----         | -----         | -----                   |
| At end of period.....                         | 29,306        | 15,035        | 15,209                  |
|   | -----         | -----         | -----                   |

</TABLE>

Since 23 January 1996 the company's capital and reserves have been:

<TABLE>

<CAPTION>

|   | SHARE<br>CAPITAL<br>L'000 | SHARE<br>PREMIUM<br>ACCOUNT<br>L'000 | MERGER<br>RESERVE<br>L'000 | REVENUE<br>RESERVE<br>L'000 | TOTAL SHAREHOLDERS'<br>FUNDS<br>L'000 |
|---|---------------------------|--------------------------------------|----------------------------|-----------------------------|---------------------------------------|
|   | -----                     | -----                                | -----                      | -----                       | -----                                 |
| <S>   | <C>                       | <C>                                  | <C>                        | <C>                         | <C>                                   |
| At 8 December 1995 and as at 23 January 1996..... | --                        | --                                   | --                         | --                          | --                                    |
| Share capital subsequently subscribed.....        | 1                         | 4,974                                | --                         | --                          | 4,975                                 |
| Loss for the period.....                          | --                        | --                                   | --                         | (3,012)                     | (3,012)                               |
| Exchange adjustments.....                         | --                        | --                                   | --                         | (922)                       | (922)                                 |
| Negative goodwill.....                            | --                        | --                                   | 10,081                     | --                          | 10,081                                |
|   | -----                     | -----                                | -----                      | -----                       | -----                                 |
| At 31 December 1996.....                          | 1                         | 4,974                                | 10,081                     | (3,934)                     | 11,122                                |
|   | -----                     | -----                                | -----                      | -----                       | -----                                 |

</TABLE>

At incorporation the authorised share capital was 1000 L1 ordinary shares, of which two were issued.

Since 24 January 1996 the authorised share capital has been:

<TABLE>

| <C>       | <C>   | <S>               |
|-----------|-------|-------------------|
| 1,200,000 | L0.01 | Ordinary shares   |
| 50,000    | L0.01 | Preference shares |
| 1         | L1.00 | Special share     |

</TABLE>

The issued share capital is:

<TABLE>

| <C>    | <C>   | <S>               |
|--------|-------|-------------------|
| 300    | L0.01 | Ordinary shares   |
| 50,000 | L0.01 | Preference shares |
| 1      | L1.00 | Special share     |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 SHAREHOLDERS' FUNDS (CONTINUED)

In respect of unissued shares:

(a) options are outstanding in respect of:

i) 539,800 ordinary shares at a subscription price of L0.83 per share exercisable on or before 31 December 1999.

ii) 419,900 ordinary shares at a subscription price of L0.01 per share exercisable on or before 31 October 2003.

(b) 240,000 ordinary shares are reserved to provide sufficient unissued share capital to satisfy the conversion rights attached to the Special Share which converts on or before 31 December 2001.

In respect of the Preference Shares:

(a) The holders of the Preference Shares are entitled in priority to any payment of dividend on any other class of shares to a fixed preferential dividend at the rate of 5.5% on L5m. However no preference dividend is payable in respect of the period from 24 January 1996 to 31 December 1996.

(b) i) The Preference Shares can be redeemed at any time at the Company's option but unless redeemed previously must be redeemed on 24 January 2001 subject only to the company being able to comply with the provisions of the Companies Legislation then in force relating to such redemption.

ii) On redemption of the Preference Shares a premium is payable of L99.99 per share.

(c) On winding-up the Preference Shares rank ahead of the other share capital for any arrears of preference dividends, return of paid-up capital and a premium of L99.99 per share.

(d) The Preference Share holders have no voting rights.

The Special Share is a L1 non participating share, convertible automatically into fully paid ordinary shares in the event of one of certain events taking place, or on the fifth anniversary of the issue of the special share.

On 24 January 1996, the Company issued 50,000 preference shares and the special share to LEP Group plc in consideration for the investments and inter-company debts acquired by the Company on that date.

In accounting for the share capital subscribed the Company has availed itself of the merger relief provided by section 131 of the Companies Act 1985.

Of the loss attributable to shareholders, a profit of L44,000 was dealt with through the profit and loss account of the Company.

The results of the subsidiaries, acquired in 1996, for the period up to their acquisition by the Company, was a profit of L174,000 after tax and minority interest. Their result for the year ended 31 December 1995 was a loss of L19,740,000.

Revenue reserves include the Group's share of the post acquisition reserves of associated undertakings, which at 31 December 1996 amounted to (L1,340,000).

Exchange adjustments include gains and losses arising on the Group's equity investment in foreign subsidiary undertakings offset by losses arising on foreign currency borrowings.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 SHAREHOLDERS' FUNDS (CONTINUED)

The merger reserve is made up as follows:

<TABLE>

<CAPTION>

<S>

L'000

<C>

|   |         |
|---|---------|
| Fair value of consideration for investments purchased 24 January 1996 (note 1)..... | (5,000) |
| Fair value of net assets acquired.....  | 15,081  |
|   | -----   |
|   | 10,081  |
|   | -----   |
|   | -----   |

</TABLE>

No fair value adjustments were made to the book values of the assets and liabilities acquired.

## 21 SALE OF SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

### (a) Sale of North American Operations

LEP International Inc. in Canada and LEP Profit International Inc. in the USA comprised the North American operations, which were sold as at 31 October 1996.

The impact on the accounts of this transaction can be summarised as follows:

|                                |          |
|--------------------------------|----------|
| <TABLE>                        |          |
| <CAPTION>                      |          |
|                                | 1996     |
|                                | L'000    |
|                                | -----    |
| <S>                            | <C>      |
| Net assets sold                |          |
| Fixed assets.....              | (4,293)  |
| Investments.....               | (9)      |
| Debtors.....                   | (45,312) |
| Cash and cash equivalents..... | 13,016   |
| Creditors.....                 | 34,637   |
| Long term loans.....           | 1,440    |
| Deferred tax.....              | 283      |
|                                | -----    |
|                                | (238)    |
| Net proceeds.....              | 6,038    |
|                                | -----    |
| Profit on sale.....            | 5,800    |
|                                | -----    |
|                                | -----    |

</TABLE>

Within the terms of the Sale Contract of the North American operations, there are provisions which entitle International Logistics Limited to require repayment of part of the proceeds if the net asset value of the North American operations is below a set threshold. International Logistics Limited has made no such demand for repayment.

### (b) Sale of interest in Cronat Transport Holding AG

The Company sold its 34% interest in Cronat Transport Holding AG as at 12 January 1996. The transaction can be summarised as follows:

|   |         |
|---|---------|
| <TABLE>                                 |         |
| <CAPTION>                               |         |
|   | L'000   |
|   | -----   |
| <S>                                     | <C>     |
| Carrying value at the date of sale..... | 5,404   |
| Net proceeds.....                       | (5,404) |
|   | -----   |
| Profit on sale.....                     | NIL     |
|   | -----   |
|   | -----   |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22 RELATED PARTY TRANSACTIONS

### (a) The following companies are considered to be related parties:

- i) LEP Albarelli SpA, in which the Company hold a 50% interest (see note 11)
- ii) LEP International Inc. in Canada, which for the two months since its sale by the Company, has been owned by International Logistics Limited.
- iii) LEP Profit International Inc. in the USA, for the same reason as

explained in ii) above.

Revenues, all of which were generated from freight forwarding activities on an "arms length" basis, for the year (two months only, with regard to ii) and iii) above), and balances with these companies, at 31 December 1996, were as follows:

<TABLE>

<CAPTION>

|                            | SALES | PURCHASES | DEBTOR<br>BALANCES | CREDITOR<br>BALANCES |
|----------------------------|-------|-----------|--------------------|----------------------|
|                            | ----- | -----     | -----              | -----                |
| <S>                        | <C>   | <C>       | <C>                | <C>                  |
|                            | L'000 | L'000     | L'000              | L'000                |
| LEP Albarelli SpA.....     | 4,037 | 3,974     | 841                | 828                  |
| LEP International Inc..... | 1,291 | 845       | 1,517              | 993                  |
| LEP Profit Inc.....        | 3,565 | 3,919     | 5,238              | 5,759                |

</TABLE>

(b) The LEP UK pension plan

The Company makes payments to this plan as per Note 8. The amount payable in the year to 31 December 1996 was L1,557,000 (1995 -L2,053,000). The amounts due to the scheme at 31 December 1996 were L13,000 (1995--L63,000).

## 23 CONTINGENT LIABILITIES

(a) As part of the management buy-out, the Company, together with those subsidiaries identified on page F-48 and certain inactive UK subsidiaries have granted a contingent charge to the financing group over their assets capped at L25 million. The charge can only crystallise on the Company or any of the above subsidiaries in the event of one of them becoming insolvent. The contingent charge will be released on the redemption of the L5 million preference shares which were issued by the Company on 24 January 1996 as consideration for the acquisition.

(b) In Holland and Denmark, the Company has received claims for undischarged Transit Forms from the respective customs authorities. These claims are rejected by the Company and, based upon legal advice, the Board is of the opinion that no provision needs to be made.

(c) There are contingent liabilities of the Company in respect of guarantees entered into in the normal course of trade.

(d) LIW has a number of outstanding tax disputes but the directors believe they have made sufficient provision for the eventual outcome of these disputes.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24 SUMMARY OF DIFFERENCES BETWEEN UK AND US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The combined and consolidated financial statements have been prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. A description of the relevant accounting principles which differ materially is given below:

### GOODWILL AND OTHER ACQUISITION ACCOUNTING ADJUSTMENTS

Under UK GAAP the Group has written off purchased goodwill (as well as negative goodwill arising on purchases of businesses) against reserves. US GAAP requires that any remaining goodwill after the allocation of purchase price to separately identifiable intangible assets and the fair value of net tangible assets acquired and liabilities assumed be capitalised as an intangible asset and amortised over a period not in excess of 40 years. Furthermore, US GAAP requires that any negative goodwill arising from a purchase transaction be allocated to the assigned fair values of identifiable tangible and intangible assets until these are reduced to a carrying amount of zero with the remainder recorded as a deferred credit and amortised to income over a period not in excess of 40 years.

### PENSION COSTS

UK GAAP and US GAAP are conceptually similar in respect of accounting for pension costs. However, US GAAP is more specific in its requirements as to the selection of discount rates which must reflect current market conditions at each balance sheet date. In addition, the amortisation of unrecognised gains and losses arising from changes in assumptions and actuarial experience, under US GAAP is affected through a corridor approach.

### TAXES ON INCOME



Under UK GAAP, deferred taxes are accounted for to the extent that it is considered probable that a liability or asset will crystallise in the foreseeable future. Under US GAAP, deferred taxes are accounted for on all timing differences and a valuation allowance is established in respect of those deferred tax assets where it is more likely than not that some portion will remain unrealised. Deferred tax also arises in relation to the tax effect of the other US GAAP adjustments.

#### REVALUATION OF PROPERTY AND PROPERTY DEPRECIATION

Under UK GAAP property is carried either at original cost or at subsequent valuation less related depreciation, calculated on the revalued amount where applicable. Revaluation surpluses are taken directly to shareholders' funds, while deficits below cost, less any related depreciation, are included in attributable profit.

Under US GAAP revaluations of properties are not permitted in the accounts. As a result, when a property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP. Depreciation is based on the historical cost.

#### DIVIDENDS

Under UK GAAP, dividends are provided for in the year in respect of which they are declared or proposed. Under US GAAP, dividends and the related advance corporation tax are given effect only in the period in which dividends are formally declared.

The effects of these differing accounting principles are shown in note 25.

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#### LEP INTERNATIONAL WORLDWIDE LIMITED

#### NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24 SUMMARY OF DIFFERENCES BETWEEN UK AND US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (CONTINUED) CASH FLOW STATEMENTS

The Company's consolidated statements of cash flow set out on page F-25 are prepared in accordance with UK Financial Reporting Standard No 1 (FRS 1) and present substantially the same information as that required under US GAAP. However, there are certain differences in classification of items within the cash flow statement and with regard to the definition of cash and cash equivalents between UK and US GAAP.

Cash flows from (i) operating activities; (ii) returns on investments and servicing of finance; (iii) taxation; (iv) investing activities; and (v) financing activities are presented separately under UK GAAP. However, US GAAP cash flows are classified into only three categories of activities; (i) operating, (ii) investing and (iii) financing.

Cash flows from returns on investments and servicing of finance are, with the exception of dividends paid and interest paid but capitalised, included as operating activities under US GAAP. The payment of dividends is included under financing activities and capitalised interest is included under investing activities for US GAAP purposes.

Cash flows from taxation are included as operating activities under US GAAP.

Cash for purposes of the cash flow statement under UK GAAP, includes bank overdrafts and liquid resources. Under UK GAAP bank overdrafts are considered loans and the movements thereon are included in financing activities; liquid resources, to the extent that they have original maturities at date of acquisition of three months or less, are considered cash equivalents and the movements thereon are included in the overall cash movement.

<TABLE>  
<CAPTION>

|   | YEAR TO 31 DEC<br>1995 | 1-23 JAN<br>1996 | 24 JAN TO<br>31 DEC<br>1996 |
|---|------------------------|------------------|-----------------------------|
| <S>   | <C>                    | <C>              | <C>                         |
|   | L'000                  | L'000            | L'000                       |
| Net cash flow from operating activities.....                            | (15,281)               | (236)            | (2,865)                     |
| Net cash provided by (used in) investing activities.....                | (539)                  | 7,124            | 18,227                      |
| Net cash provided by (used in) financing activities.....                | 19,423                 | (7,093)          | (17,458)                    |
|   | -----                  | -----            | -----                       |
| Net increase/(decrease) in cash and cash equivalents under US GAAP..... | 3,603                  | (205)            | (2,096)                     |
|   | -----                  | -----            | -----                       |
| Cash and cash equivalents under US GAAP at beginning of period.....     | 14,274                 | 17,877           | 17,672                      |
| Effect of exchange rates on cash and cash equivalents.....              | --                     | --               | (958)                       |

|   |          |          |         |
|---|----------|----------|---------|
| Cash and cash equivalents under US GAAP at end of year..... | 17,877   | 17,672   | 14,618  |
| Bank loans and overdrafts.....                              | (25,863) | (19,262) | (6,820) |
| Cash and cash equivalents under US GAAP at end of year..... | (7,986)  | (1,590)  | 7,798   |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 NOTES ON SUMMARY OF DIFFERENCES BETWEEN UK AND US GAAP

<TABLE>

<CAPTION>

|  | YEAR END<br>31 DEC 1995<br>L'000 | PERIOD END<br>23 JAN 1996<br>L'000 | PERIOD END<br>31 DEC 1996<br>L'000 |
|--|----------------------------------|------------------------------------|------------------------------------|
| <S>  | <C>                              | <C>                                | <C>                                |
| Adjustments to net income  |                                  |                                    |                                    |
| (Loss)/Profit attributable to shareholders in accordance with UK GAAP..... | (19,740)                         | 174                                | (3,012)                            |
| US GAAP adjustments:   |                                  |                                    |                                    |
| Fixed asset revaluations excess depreciation.....                          | 351                              | 22                                 | --                                 |
| Depreciation adjustments.....  | --                               | --                                 | 1,129                              |
| Profit on sale of fixed assets.....  | --                               | --                                 | 482                                |
| Disposal of North American operations.....                                 | --                               | --                                 | 2,904                              |
| Pension scheme charges.....  | 351                              | 55                                 | 518                                |
| Taxation effect on the above items.....                                    | (116)                            | (18)                               | (1,129)                            |
| Deferred taxation.....   | --                               | --                                 | (22)                               |
| Approximate net income in accordance with US GAAP.....                     | (19,154)                         | 233                                | 870                                |

</TABLE>

<TABLE>

<CAPTION>

|  | 31 DEC 1995<br>L'000 | 31 DEC 1996<br>L'000 |
|--|----------------------|----------------------|
| <S>  | <C>                  | <C>                  |
| Adjustments to shareholders' equity  |                      |                      |
| Capital employed before minority interests in accordance with UK GAAP..... | 15,035               | 11,122*              |
| US GAAP adjustments:   |                      |                      |
| Elimination of fixed asset revaluations.....                               | (14,196)             | --                   |
| Pension scheme liabilities.....  | (483)                | 518                  |
| Acquisition of predecessor companies.....                                  | --                   | (10,081)             |
| Depreciation.....  | --                   | 1,129                |
| Sale of fixed assets.....  | --                   | 482                  |
| Disposal of North American operations.....                                 | --                   | 2,904                |
| Taxation effect on above items.....  | --                   | (1,129)              |
| Deferred taxation.....   | 279                  | (22)                 |
| Approximate shareholders' equity in accordance with US GAAP.....           | 635                  | 4,923*               |

</TABLE>

\* Includes L4,975 of mandatorily redeemable preference shares (See Note 20).

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LEP INTERNATIONAL WORLDWIDE LIMITED  
PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

The undertakings listed below comprise the principal subsidiary and associated undertakings which have been included in these combined and consolidated financial statements as of December 31, 1996, as detailed in Note 1 to the financial statements. The percentage shareholding (in all cases in ordinary shares) is given for each undertaking. Each of the companies listed below operates in freight forwarding, and operates principally in their country of incorporation.

<TABLE>

<CAPTION>

| PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS | COUNTRY OF INCORPORATION | PERCENTAGE<br>OWNED |
|--|--------------------------|---------------------|
|--|--------------------------|---------------------|

| <S>   | <C>                    | <C>  |
|---|------------------------|------|
| EUROPE  |                        |      |
| +*LEP International Limited.....                | England                | 100% |
| +*LEP International Management Limited.....     | England                | 100% |
| LEP International Limited.....                  | Republic of Ireland    | 100% |
| LEP International NV.....                       | Belgium                | 100% |
| LEP-Transportgruppen AS.....                    | Denmark                | 100% |
| LEP International (France) SA.....              | France                 | 100% |
| LEP International GmbH.....                     | Germany                | 100% |
| LEP-Albarelli SpA.....                          | Italy                  | 50%  |
| LEP International BV.....                       | Netherlands            | 100% |
| Lassen Transport Ltda.....                      | Portugal               | 100% |
| LEP International SA.....                       | Spain                  | 100% |
| Olson and Wright AB.....                        | Sweden                 | 100% |
| PACIFIC BASIN                                   |                        |      |
| LEP International (Pty) Limited.....            | Australia              | 100% |
| LEP International (China) Limited.....          | Hong Kong              | 100% |
| LEP International (Far East) Limited.....       | Hong Kong              | 100% |
| LEP International (Singapore) Pte Limited.....  | Singapore              | 100% |
| LEP International (Japan) Limited.....          | Japan                  | 100% |
| LEP International (Korea) Limited.....          | Korea                  | 49%  |
| LEP International (Malaysia) Sdn Bhd.....       | Malaysia               | 30%  |
| LEP Freightways International Limited.....      | New Zealand            | 25%  |
| LEP International Philippines Inc.....          | Philippines            | 30%  |
| LEP International Limited.....                  | Taiwan                 | 33%  |
| LEP International (Thailand) Co Limited.....    | Thailand               | 49%  |
| HOLDING COMPANIES                               |                        |      |
| +LEP International (Asia /Pacific) Limited..... | British Virgin Islands | 100% |
| +*LEP European Holdings BV.....                 | The Netherlands        | 100% |
| Telmidas AMS BV.....                            | The Netherlands        | 100% |
| +*LEP Holdings (Bermuda) Limited.....           | Bermuda                | 100% |
| +*LEP Holdings (North America) Limited.....     | England                | 100% |
| LEP Holdings GmbH.....                          | Germany                | 100% |

</TABLE>

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\* Owned directly by the company after the reorganisation (see Note 1)

+ Companies referred to in Note 23 (a).

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LEP INTERNATIONAL WORLDWIDE LIMITED  
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

| <S>  | 31 DECEMBER 1996 | 30 SEPTEMBER 1997 | 30 SEPTEMBER 1997 |
|--|------------------|-------------------|-------------------|
| <C>  | <C>              | <C>               | <C>               |
|  | L'000            | L'000             | US \$'000         |
| -----  |                  |                   |                   |
| FIXED ASSETS   |                  |                   |                   |
| Tangible assets.....   | 22,306           | 20,488            | 33,160            |
| Investments  |                  |                   |                   |
| -Associated undertakings.....                                | 2,086            | 3,457             | 5,595             |
| -Other.....  | 283              | 279               | 451               |
|  | -----            | -----             | -----             |
|  | 24,675           | 24,224            | 39,206            |
|  | -----            | -----             | -----             |
| CURRENT ASSETS   |                  |                   |                   |
| Debtors.....   | 112,913          | 109,030           | 176,465           |
| Cash and short term deposits.....                            | 14,618           | 13,709            | 22,188            |
|  | -----            | -----             | -----             |
|  | 127,531          | 122,739           | 198,653           |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR.....          | (122,376)        | (121,839)         | (197,196)         |
|  | -----            | -----             | -----             |
| NET CURRENT (LIABILITIES)/ASSETS.....                        | 5,155            | 900               | 1,457             |
|  | -----            | -----             | -----             |
| TOTAL ASSETS LESS CURRENT LIABILITIES.....                   | 29,830           | 25,124            | 40,663            |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR..... | (17,160)         | (16,399)          | (26,542)          |
| PROVISIONS FOR LIABILITIES AND CHARGES.....                  | (101)            | --                | --                |
|  | -----            | -----             | -----             |
|  | 12,569           | 8,725             | 14,121            |
|  | -----            | -----             | -----             |
| CAPITAL AND RESERVES   |                  |                   |                   |
| Shareholders' funds.....                                     | 11,122           | 7,240             | 11,718            |
| Equity minority interests.....                               | 1,447            | 1,485             | 2,403             |
|  | -----            | -----             | -----             |
|  | 12,569           | 8,725             | 14,121            |

</TABLE>

The accompanying notes are an integral part of the unaudited  
interim consolidated financial statements.

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LEP INTERNATIONAL WORLDWIDE LIMITED  
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS ACCOUNTS

<TABLE>  
<CAPTION>

|  | UNREVIEWED       |                             |  |                                     |           |
|--|------------------|-----------------------------|--|-------------------------------------|-----------|
|  | 1-23 JAN<br>1996 | 24 JAN -<br>30 SEPT<br>1996 | COMBINED<br>NINE MONTHS TO<br>30 SEPT 1996 | NINE MONTHS TO<br>30 SEPTEMBER 1997 |           |
|  | L'000            | L'000                       | L'000                                      | L'000                               | US \$'000 |
| <S>  | <C>              | <C>                         | <C>  | <C>                                 | <C>       |
| TURNOVER   |                  |                             |  |                                     |           |
| Continuing operations.....                                   | 45,503           | 496,806                     | 542,309                                    | 505,026                             | 817,385   |
| Discontinued operations.....                                 | 22,859           | 252,094                     | 274,953                                    | --                                  | --        |
|  | 68,362           | 748,900                     | 817,262                                    | 505,026                             | 817,385   |
| GROSS PROFIT   |                  |                             |  |                                     |           |
| Continuing operations.....                                   | 8,946            | 93,791                      | 102,737                                    | 96,590                              | 156,330   |
| Discontinued operations.....                                 | 3,798            | 41,703                      | 45,501                                     | --                                  | --        |
|  | 12,744           | 135,494                     | 148,238                                    | 96,590                              | 156,330   |
| OPERATING (LOSS/PROFIT)                                      |                  |                             |  |                                     |           |
| Continuing operations.....                                   | 539              | (2,631)                     | (2,092)                                    | 36                                  | 58        |
| Discontinued operations.....                                 | 13               | (846)                       | (833)                                      | --                                  | --        |
|  | 552              | (3,477)                     | (2,925)                                    | 36                                  | 58        |
| SHARE OF LOSSES OF ASSOCIATED UNDERTAKINGS.....              | (86)             | (612)                       | (698)                                      | (565)                               | (914)     |
| TOTAL OPERATING PROFIT/(LOSS).....                           | 466              | (4,089)                     | (3,623)                                    | (529)                               | (856)     |
| EXCEPTIONAL ITEMS.....                                       | --               | --                          | --   | (275)                               | (445)     |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE<br>INTEREST..... | 466              | (4,089)                     | (3,623)                                    | (804)                               | (1,301)   |
| Interest receivable and similar income.....                  | 54               | 517                         | 571  | 346                                 | 560       |
| Interest payable and similar charges.....                    | (152)            | (1,563)                     | (1,715)                                    | (852)                               | (1,379)   |
| LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION...       | 368              | (5,135)                     | (4,767)                                    | (1,310)                             | (2,120)   |
| Taxation.....  | (168)            | (1,431)                     | (1,599)                                    | (1,246)                             | (2,017)   |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION.....              | 200              | (6,566)                     | (6,366)                                    | (2,556)                             | (4,137)   |
| Equity minority interests.....                               | (26)             | (461)                       | (487)                                      | (223)                               | (361)     |
| RETAINED LOSS.....   | 174              | (7,027)                     | (6,853)                                    | (2,779)                             | (4,498)   |

</TABLE>

The accompanying notes are an integral part of the unaudited  
interim consolidated financial statements.

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LEP INTERNATIONAL WORLDWIDE LIMITED  
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>  
<CAPTION>

|  | UNREVIEWED                |   |   |                                     |          |
|--|---------------------------|---|---|-------------------------------------|----------|
|  | PERIOD 1 -<br>23 JAN 1996 | PERIOD 24<br>JAN-<br>30 SEPTEMBER<br>1996 | COMBINED NINE<br>MONTHS TO<br>30 SEPTEMBER 1996 | NINE MONTHS TO<br>30 SEPTEMBER 1997 |          |
|  | L'000                     | L'000                                     | L'000   | L'000                               | US \$000 |
| <S>  | <C>                       | <C>                                       | <C>   | <C>                                 | <C>      |
| NET CASH INFLOW FROM OPERATING ACTIVITIES                |                           |   |   |                                     |          |
| Result for the period.....                               | 552                       | (3,477)                                   | (2,925)   | 36                                  | 58       |
| Depreciation and profit on sales of fixed<br>assets..... | 239                       | 2,494                                     | 2,733   | 1,545                               | 2,501    |
| Working capital movement.....                            | (683)                     | (1,109)                                   | (1,792)   | 2,311                               | 3,740    |

|   | 108   | (2,092)  | (1,984) | 3,892   | 6,299   |
|---|-------|----------|---------|---------|---------|
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE       |       |          |         |         |         |
| Interest received.....                                | 54    | 517      | 571     | 346     | 560     |
| Interest paid.....                                    | (152) | (2,074)  | (2,226) | (852)   | (1,379) |
|   | (98)  | (1,557)  | (1,655) | (506)   | (819)   |
| TAXATION  |       |          |         |         |         |
| Net UK tax received.....                              | --    | 4        | 4       | --      | --      |
| Overseas tax paid.....                                | (246) | (1,109)  | (1,355) | (820)   | (1,327) |
|   | (246) | (1,105)  | (1,351) | (820)   | (1,327) |
| INVESTING ACTIVITIES                                  |       |          |         |         |         |
| Purchase of fixed assets.....                         | --    | (1,249)  | (1,249) | (955)   | (1,546) |
| Loans to associates.....                              | --    | --       | --      | (954)   | (1,544) |
| Proceeds on disposal of fixed assets.....             | 1,720 | 345      | 2,065   | 61      | 99      |
| Dividends paid to minority shareholders.....          |       | (88)     | (88)    | (40)    | (65)    |
| Dividends from associated undertakings.....           |       | 58       | 58      | --      | --      |
| Proceeds on sale of businesses.....                   | 5,404 | --       | 5,404   | --      | --      |
| Costs of disposal of North American operations.....   | --    | --       | --      | (275)   | (445)   |
|   | 7,124 | (934)    | 6,190   | (2,163) | (3,501) |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING....        | 6,888 | (5,688)  | 1,200   | 403     | 652     |
| FINANCING   |       |          |         |         |         |
| Additional loans (including finance leases)...        | 50    | 440      | 490     | 211     | 341     |
| Repayment of loans (including finance leases).....    | (394) | (6,795)  | (7,189) | (2,188) | (3,541) |
| Net capital contribution of Wayrol plc.....           | (148) | --       | (148)   | --      | --      |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING.....         | (492) | (6,355)  | (6,847) | (1,977) | (3,200) |
| Increase/(decrease) in cash and cash equivalents..... | 6,396 | (12,043) | (5,647) | (1,574) | (2,548) |

</TABLE>

The accompanying notes are an integral part of the unaudited interim consolidated financial statements

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LEP INTERNATIONAL WORLDWIDE LIMITED  
UNAUDITED INTERIM STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

<TABLE>  
<CAPTION>

|  | NINE MONTHS TO<br>30 SEPTEMBER 1997<br>L'000 |
|--|--|
| <S>  | <C>  |
| Loss for the period.....   | (2,779)                                      |
| Currency translation differences on foreign currency net investment..... | (1,103)                                      |
| Total recognised loss for the period.....                                | (3,882)                                      |

</TABLE>

UNAUDITED INTERIM RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<TABLE>  
<CAPTION>

|   | L'000   |
|---|---------|
| <S>                                       | <C>     |
| At 1 January 1997.....                    | 11,122  |
| Loss for the period.....                  | (2,779) |
| Revaluations.....                         | --      |
| Exchange adjustment.....                  | (1,103) |
| Net capital (reduction)/contribution..... | --      |
| At 30 September 1997.....                 | 7,240   |

</TABLE>

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NOTES TO THE UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1 BACKGROUND--BUSINESS OPERATION AND LEGAL RESOURCING

During 1994 and 1995 the operating companies comprising the freight forwarding interests of Wayrol plc (formerly LEP Group plc) were reorganised so as to separate these companies from the other interests of Wayrol plc and to better reflect the management and operating structure of the freight forwarding business. LEP International (Worldwide) Limited was formed in 1995 to be the new ultimate holding company for the freight forwarding companies, and, on 10 November 1995, acquired the freight forwarding companies and certain of their holding companies.

LEP International (Worldwide) Ltd. and its subsidiaries thus comprised the freight forwarding interests under Wayrol plc, with the exception of Intercontinentale Ostereiche Gesellschaft Fur Transport and Verkenhrswesen GmbH and LEP International A/S which were not acquired.

On 24 January 1996 LEP International (Worldwide) Ltd. and LEP International A/S were acquired from Wayrol plc by LEP International Worldwide Ltd.

These combined and consolidated financial statements have been prepared to show the results of the Company and its subsidiaries from the date of acquisition of LEP International (Worldwide) Ltd. (the predecessor company, hereinafter referred to as "LIW Predecessor"), and the results of LIW Predecessor and its subsidiaries (the "Predecessor Group") as if the Predecessor Group had existed as a legal group from 1 January 1996. They have been prepared from the audited financial statements of the individual subsidiaries which comprise the freight forwarding business. The period from 1 January 1996 to 23 January 1996 comprises the consolidated financial statements of LEP International Worldwide Ltd. combined with those of LEP International A/S. The period from 24 January 1996 to 31 December 1996 comprises the consolidated financial statements of LEP International Worldwide Ltd. Adjustments have been made to eliminate intercompany investments and other balances as appropriate.

On 31 October 1996 the Predecessor Group sold its North American interests to International Logistics Limited who also subscribed for shares in LEP International Worldwide Ltd., giving it a 33% interest in the Group. International Logistics Limited subsequently acquired options to purchase and subscribe further shares, which were exercised on 30 September 1997, thereby giving them a controlling interest in the Predecessor Group.

Amounts shown in the Accounts at 30 September 1997 have been converted at a convenience rate of L1 = US\$ 1.6185, based on the closing rate at 30 September 1997.

## 2 BASIS OF PREPARATION

Unaudited Interim Financial Statements--In the opinion of management, the unaudited interim financial statements for the nine months to 30 September 1997 have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations as of such date and for such period.

With respect to the period ended 30 September 1996, LIW did not produce financial statements in accordance with its normal year end financial reporting procedures. The financial statements of LIW for this period have, therefore, been derived from management reports. Management have made such adjustments to these reports as they believe are necessary for a fair presentation of the results of operations as of 30 September 1996.

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## LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 3 Debtors

<TABLE>  
<CAPTION>

&lt;S&gt;

|                                     | 31 DEC 1996<br>L'000 | 30 SEPTEMBER<br>1997 L'000 |
|-------------------------------------|----------------------|----------------------------|
|                                     | -----                | -----                      |
| <C>                                 | <C>                  | <C>                        |
| Trade debtors.....                  | 85,662               | 79,505                     |
| Amount owed by related parties..... | 8,877                | 8,507                      |
| Other debtors and prepayments.....  | 18,374               | 21,545                     |

|         |         |
|---------|---------|
| 112,913 | 109,557 |
|---------|---------|

</TABLE>

4 Creditors--amounts falling due within one year

<TABLE>  
<CAPTION>

|  | 31 DEC 1996<br>L'000 | 30 SEPTEMBER 1997<br>L'000 |
|--|----------------------|----------------------------|
| <S>  | <C>                  | <C>                        |
| Bank loans and overdrafts.....                     | 8,803                | 8,018                      |
| Other loans.....                                   | 230                  | 140                        |
| Finance leases.....                                | 359                  | 343                        |
|  | 9,392                | 8,501                      |
| Trade creditors.....                               | 50,181               | 52,220                     |
| Amount owed to related parties.....                | 7,662                | 7,193                      |
| Corporation taxation.....                          | 1,604                | 2,178                      |
| Other creditors, accruals and deferred income..... | 53,537               | 51,747                     |
|  | 122,376              | 121,839                    |

</TABLE>

5 INVESTMENTS--ASSOCIATED UNDERTAKINGS

The movement of the investment in associated undertakings is as follows:

<TABLE>  
<CAPTION>

|  | L'000 |
|--|-------|
| <S>                                      | <C>   |
| At 1 January 1997.....                   | 2,086 |
| Exchange and other adjustments.....      | (154) |
| Share of undistributed results.....      | (565) |
| Reclassification to subsidiary.....      | --    |
| Increase in loans.....                   | 1,563 |
| Investments written down.....            | --    |
| Associated undertaking sold.....         | --    |
| Prepayments for future acquisitions..... | 527   |
| At 30 September 1997.....                | 3,457 |

</TABLE>

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6 CREDITORS--AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

<TABLE>  
<CAPTION>

|  | 31 DEC 1996<br>L'000 | 30 SEPTEMBER 1997<br>L'000 |
|--|----------------------|----------------------------|
| <S>  | <C>                  | <C>                        |
| Bank loans and overdrafts--secured.....        | 1,370                | 921                        |
| Finance leases--secured.....                   | 477                  | 268                        |
|  | 1,847                | 1,189                      |
| Pension liabilities not separately funded..... | 11,816               | 11,466                     |
| Other long term creditors.....                 | 3,497                | 3,744                      |
|  | 17,160               | 16,399                     |

</TABLE>

7 CONTINGENT LIABILITIES

(a) As part of the management buy-out, the Company, together with its subsidiaries granted a contingent charge to the financing group over their assets capped at L25 million. The charge can only crystalise on the Company or



any of the above subsidiaries in the event that one of them becomes insolvent. The contingent charge will be released on the redemption of the L5 million preference shares which were issued by the Company on 24 January 1996 as consideration for the acquisition.

(b) In Holland and Denmark, the Group has received claims for undischarged Transit Forms from the respective customs authorities. These claims are rejected by the Company and, based upon legal advice, the Board is of the opinion that no provision needs to be made.

(c) There are contingent liabilities of the Company in respect of guarantees entered into in the normal course of trade.

(d) LIW has a number of outstanding tax disputes but the directors believe they have made sufficient provision for the eventual outcome of these disputes.

(e) The Company has signed a contract to purchase the 50% of the share of LEP Albarelli SpA, not already owned by the Company, for L1,014,000 plus certain amounts based on the proceeds of specified properties. Under this contract, payments amounting to L527,000 have already been made which have been included as part of the investment in the associated undertakings which will be completed by July 31, 1999.

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LEP INTERNATIONAL WORLDWIDE LIMITED

NOTES TO THE UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 NOTES ON SUMMARY OF DIFFERENCES BETWEEN UK AND US GAAP

| <S>  | UNREVIEWED                            |  |   |  |
|--|---------------------------------------|--|---|--|
|  | <C>                                   | <C>  | <C>   | <C>  |
|  | PERIOD 1 -<br>23 JAN<br>1996<br>L'000 | PERIOD 24 JAN -<br>30 SEPTEMBER<br>1996<br>L'000 | COMBINED PERIOD<br>TO 30 SEPTEMBER<br>1996<br>L'000 | PERIOD TO<br>30 SEPTEMBER<br>1997<br>L'000 |
| Adjustment to net income:  |                                       |  |   |  |
| (Loss)/profit attributable to shareholders in accordance with UK GAAP..... | 174                                   | (7,027)  | (6,853)   | (2,779)                                    |
| US GAAP adjustments:   |                                       |  |   |  |
| Fixed asset revaluations excess depreciation.....                          | 22                                    | (22)   | --  | --   |
| Depreciation adjustments.....  | --                                    | 1,081  | 1,081   | 1,179                                      |
| Profit on sale of fixed assets.....  | --                                    | 209  | 209   | 29   |
| Pension scheme changes.....  | 55                                    | 325  | 380   | 415  |
| Taxation effect on the above items.....                                    | (18)                                  | (581)  | (599)   | (536)                                      |
| Deferred taxation.....   | --                                    | (16)   | (16)  | (16)                                       |
| Approximate net income in accordance with US GAAP.....                     | 233                                   | (6,031)  | (5,798)   | (1,708)                                    |

</TABLE>

<TABLE>  
<CAPTION>

|   | 31 DEC 1996<br>L'000 | 30 SEPTEMBER 1997<br>L'000 |     |
|---|----------------------|----------------------------|-----|
| <S>   | <C>                  | <C>                        | <C> |
| Adjustments to shareholders' equity:                                  |                      |                            |     |
| Capital employed before minority interests in accordance with UK GAAP | 11,122*              | 7,240                      |     |
| US GAAP adjustments:  |                      |                            |     |
| Elimination of fixed asset revaluations.....                          | --                   | --                         |     |
| Pension scheme liabilities.....                                       | 518                  | 933                        |     |
| Acquisition of predecessor companies.....                             | (10,081)             | (10,081)                   |     |
| Depreciation.....   | 1,129                | 2,308                      |     |
| Sale of fixed assets.....   | 3,386                | 3,415                      |     |
| Taxation effect on the above items.....                               | (1,129)              | (2,197)                    |     |
| Deferred taxation.....  | (22)                 | (38)                       |     |
| Approximate shareholders' equity in accordance with US GAAP.....      | 4,923*               | 1,580                      |     |

</TABLE>

\* Includes L4,975 of mandatorily redeemable preference shares.

F=56

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-----  
NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATES AS OF WHICH INFORMATION IS GIVEN IN THIS PROSPECTUS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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UNTIL , 1998 (90 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE NOTES, WHETHER OR NOT PARTICIPATING IN THIS EXCHANGE OFFER, MAY BE REQUIRED TO DELIVER A PROSPECTUS.

-----  
-----  
INTERNATIONAL LOGISTICS LIMITED

\$110,000,000

9 3/4% SENIOR NOTES  
DUE 2007

-----  
PROSPECTUS  
, 1998

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Delaware General Corporation Law and the Company's Articles of Incorporation and Bylaws contain provisions for indemnification of officers and directors of the Company and in certain cases employees and other persons. The Bylaws require the Company to indemnify such persons to the full extent permitted by Delaware law. Each such person will be indemnified in any proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Company. Indemnification would cover expenses, including attorney's fees, judgments, fines and amounts paid in settlement.

The Company's Bylaws also provide that the Company's Board of Directors may cause the Company to purchase and maintain insurance on behalf of any present or past director or officer insuring against any liability asserted against such person incurred in the capacity of director or officer or arising out of such status, whether or not the Company would have the power to indemnify such person. The Company maintains directors' and officers' liability insurance.

The Company has entered into an indemnification agreement (the "Indemnification Agreement") with each director and certain officers, employees and agents of the Company. Each Indemnification Agreement provides for, among other things: (i) indemnification to the fullest extent permitted by law against any and all expenses, judgments, fines, penalties and amounts paid in settlement of any claim against any indemnified party (the "Indemnatee") unless it is determined, as provided in the Indemnification Agreement, that indemnification is not permitted under laws and (ii) prompt advancement of expenses to any Indemnatee in connection with his or her defense against any claim.

ITEM 21. EXHIBITS AND FINANCIAL SCHEDULE TABLES

(a) Exhibits:

| <TABLE><br><CAPTION><br>EXHIBIT<br>NUMBER |  | DESCRIPTION   |
|---|--|---|
| <S>                                       |  | <C>   |
| 3.1                                       |  | Amended and Restated Certificate of Incorporation of the Registrant.  |
| 3.2                                       |  | Amended and Restated Bylaws of the Registrant.  |
| 4.1                                       |  | Indenture dated as of October 29, 1997 between the Company and First Trust National Association, as Trustee.  |
| 4.2                                       |  | Form of New Note (included as Exhibit B to Exhibit 4.1).  |
| 4.3                                       |  | Form of Guarantee (included as Exhibit B to Exhibit 4.1).   |
| 4.4                                       |  | Registration Rights Agreement, dated as of October 29, 1997, between the Company and Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Baring (U.S.) Securities, Inc.  |
| 5.1                                       |  | Opinion of Milbank, Tweed, Hadley & McCloy.   |
| 10.1                                      |  | Third Amended and Restated Stockholders Agreement dated as of September 30, 1997 among the Company and each of the Holders listed on Exhibit A thereto.   |
| 10.2                                      |  | Amended and Restated Loan Agreement dated as of October 28, 1997 by and among the Company, The Bekins Company, Matrix International Logistics, Inc., ILLCAN, Inc., ILLSCOT, Inc., LEP Profit International, Inc. and LEP International Limited, as Borrowers and ING (US) Capital Corporation as administrative agents and the Lenders party thereto. |

</TABLE>

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| <TABLE><br><CAPTION><br>EXHIBIT<br>NUMBER |  | DESCRIPTION |
|---|--|-------------|
|   |  | -----       |

|        |  |
|--------|--|
| <S>    | <C>  |
| 10.3   | Second Amended and Restated Registration Rights Agreement dated as of November 7, 1996 by and between the Company and each of the Holders listed on Exhibit A thereto.   |
| 10.4   | Executive Management Agreement dated as of October 31, 1996 by and between the Company and William E. Simon & Sons, L.L.C.   |
| 10.5   | Employment Agreement dated as of April 30, 1996 between the Company and Roger E. Payton.   |
| 10.6   | Form of Employment Agreement between the Company and each of Messrs. Holter, Solis, Tieman and Jackson.  |
| 10.7   | Promissory Note made by Mr. Payton in favor of the Company.  |
| 10.8   | Promissory Note made by Mr. Solis in favor of the Company.   |
| 10.9   | Form of Pledge Agreement executed by Messrs. Payton and Solis.   |
| 10.10* | Form of Warrant issued by the Company to Roger E. Payton.  |
| 10.11* | Form of Subscription Agreement executed by Roger E. Payton and the Company.  |
| 10.12* | Form of Warrant issued by the Company to Messrs. Tieman, Solis and Holter.   |
| 10.13* | Form of Subscription Agreement executed by the Company and each of Messrs. Tieman, Solis and Holter.   |
| 10.14  | Form of Indemnification Agreement.   |
| 10.15  | Deferred Compensation Plan.  |
| 10.16  | Employee Stock Purchase Plan dated March 3, 1997.  |
| 10.17  | Executive Management Agreement dated as of November 1, 1997 by and between the Company, TCW Special Credits Fund V--The Principal Fund and Oaktree Capital Management, LLC.  |
| 10.18  | Agreement and Plan of Merger dated as of April 10, 1996, by and among the Company, Trasub, Inc., The Bekins Company, IMR General Inc., and IMR Fund, L.P.  |
| 10.19* | Form of Warrant Agreement between the Company and Mr. Myers.   |
| 10.20  | Stock Purchase Agreement dated as of October 31, 1996 by and among LEP International Worldwide Limited, LEP International Holdings Limited, LEP Holdings (North America) Limited, LEP Holdings U.S.A. Inc. and the Company.    |
| 10.21* | Stock Purchase Agreement dated as of October 31, 1996 by and among LEP International Worldwide Limited, LEP International Holdings Limited, LEP Holdings (North America) Limited and International Logistics (Canada) Company. |
| 10.22  | Stock Purchase Agreement dated as of November 7, 1996 by and among the Company and Douglas Cruikshank, Ronald S. Cruse, Steve Hitchcock and Paul D. Smith.   |
| 12.1   | Computation of Ratio of Earnings to Fixed Charges.   |
| 21.1   | Subsidiaries of the Registrant.  |
| 23.1   | Consent of Deloitte & Touche LLP.  |

|           |   |
|-----------|---|
| <TABLE>   |   |
| <CAPTION> |   |
| EXHIBIT   |   |
| NUMBER    | DESCRIPTION   |
| -----     |   |
| <S>       | <C>   |
| 23.2      | Consent of Price Waterhouse LLP.                                      |
| 23.3      | Consent of Arthur Andersen LLP.                                       |
| 23.4      | Consent of Milbank, Tweed, Hadley & McCloy (included in exhibit 5.1). |

|       |  |
|-------|--|
| 24.1  | Power of Attorney (included on signature pages).   |
| 25.1* | Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of First Bank National Association. |
| 27    | Financial Data Schedule.   |
| 99.1  | Form of Letter of Transmittal.   |
| 99.2  | Form of Notice of Guaranteed Delivery.   |

</TABLE>

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\* To be filed by amendment.

(b) Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted because they are not required, are inapplicable or the required information has already been provided elsewhere in the registration statement.

## ITEM 22. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved herein, that was not subject of and included in the registration statement when it became effective.

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## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

INTERNATIONAL LOGISTICS LIMITED

/S/ Roger E. Payton

-----  
Name: Roger E. Payton  
Title: President, Chief Executive  
Officer and Director

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments)

to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE  | TITLE  | DATE              |
|--|--|-------------------|
| -----<br>/s/ ROGER E. PAYTON<br>-----<br>Roger E. Payton   | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | December 18, 1997 |
| -----<br>/s/ GARY S. HOLTER<br>-----<br>Gary S. Holter     | Chief Financial Officer<br>(Principal Financial Officer)                         | December 18, 1997 |
| -----<br>/s/ KENNETH R. BATKO<br>-----<br>Kenneth R. Batko | Chief Accounting Officer<br>(Principal Accounting Officer)                       | December 18, 1997 |

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|   |                 |                          |
|---|-----------------|--------------------------|
| <TABLE><br><C><br>/s/ Vincent J. Cebula<br>-----<br>Vincent J. Cebula | <S><br>Director | <C><br>December 18, 1997 |
| -----<br>/s/ Richard J. Goldstein<br>-----<br>Richard J. Goldstein    | Director        | December 18, 1997        |
| -----<br>/s/ Stephen A. Kaplan<br>-----<br>Stephen A. Kaplan          | Director        | December 18, 1997        |
| -----<br>/s/ Michael B. Lenard<br>-----<br>Michael B. Lenard          | Director        | December 18, 1997        |
| -----<br>/s/ Conor T. Mullett<br>-----<br>Conor T. Mullett            | Director        | December 18, 1997        |
| -----<br>/s/ William E. Myers, JR.<br>-----<br>William E. Myers, Jr.  | Director        | December 18, 1997        |

</TABLE>

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

THE BEKINS COMPANY  
/s/ Roger E. Payton  
-----

Name: Roger E. Payton  
Title: President, Chief Executive Officer and Director

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE  | TITLE   | DATE              |
|--|---|-------------------|
| -----<br>/s/ Roger E. Payton<br>-----<br>Roger E. Payton | President, Chief Executive<br>Officer and Director<br>(Principal Executive<br>Officer)      | December 18, 1997 |
| -----<br>/s/ Paul Stone<br>-----<br>Paul Stone           | Treasurer and Chief<br>Financial Officer<br>(Principal Financial and<br>Accounting Officer) | December 18, 1997 |
| -----<br>/s/ Gary S. Holter<br>-----<br>Gary S. Holter   | Assistant Secretary and<br>Director   | December 18, 1997 |

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

BEKINS VAN LINES CO.

/S/ Roger E. Payton

-----  
Name: Roger E. Payton

Title: Vice President and Director

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been



signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE                                       | TITLE   | DATE              |
|---|---|-------------------|
| /s/ Roger E. Payton<br>-----<br>Roger E. Payton | Vice President and Director<br>(Principal Executive Officer)            | December 18, 1997 |
| /s/ Paul Stone<br>-----<br>Paul Stone           | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | December 18, 1997 |
| /s/ Gary S. Holter<br>-----<br>Gary S. Holter   | Vice President, Assistant Treasurer, Assistant Secretary and Director   | December 18, 1997 |

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Marietta, State of Georgia, on this 18th day of December, 1997.

LEP PROFIT INTERNATIONAL, INC.

/S/ Anthony Quinn  
-----

Name: Anthony Quinn

Title: President, Chief Executive Officer and Director

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE                                       | TITLE   | DATE              |
|---|---|-------------------|
| /s/ Anthony Quinn<br>-----<br>Anthony Quinn     | President, Chief Executive Officer and Director<br>(Principal Executive Officer)                  | December 18, 1997 |
| /s/ Daniel D. Moore<br>-----<br>Daniel D. Moore | Senior Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | December 18, 1997 |

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|   |  |                   |
|---|--|-------------------|
| /s/ Mark A. Jerome<br>-----<br>Mark A. Jerome       | Executive Vice President,<br>Chief Operating Officer<br>and Director | December 18, 1997 |
| /s/ Louis J. Mitchell<br>-----<br>Louis J. Mitchell | Vice President, Secretary,<br>General Counsel and<br>Director        | December 18, 1997 |
| /s/ Roger E. Payton<br>-----<br>Roger E. Payton     | Director   | December 18, 1997 |

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Marietta, State of Georgia, on this 18th day of December, 1997.

LEP FAIRS, INC.

/S/ Margaret Churchill-Miller  
-----

Name: Margaret Churchill-Miller  
Title: Vice President, Operations

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE<br>-----  | TITLE<br>-----  | DATE<br>-----     |
|---|---|-------------------|
| /s/ Margaret Churchill-Miller<br>-----<br>Margaret Churchill-Miller | Vice President, Operations<br>(Principal Executive<br>Officer)  | December 18, 1997 |
| /s/ Daniel D. Moore<br>-----<br>Daniel D. Moore                     | Chief Financial Officer,<br>Treasurer and Director<br>(Principal Financial and<br>Accounting Officer) | December 18, 1997 |
| /s/ Louis J. Mitchell<br>-----<br>Louis J. Mitchell                 | Vice President, Secretary,<br>General Counsel and<br>Director   | December 18, 1997 |
| /s/ Mark A. Jerome<br>-----<br>Mark A. Jerome                       | Director  | December 18, 1997 |

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## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Marietta, State of Georgia, on this 18th day of December, 1997.

AIR FREIGHT CONSOLIDATORS INTERNATIONAL, INC.

/s/ Patrick Keelaghan

-----  
Name: Patrick Keelaghan  
Title: President, Chief Executive Officer and  
Director

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE  | TITLE  | DATE              |
|--|--|-------------------|
| -----<br>/s/ Patrick Keelaghan<br>-----<br>Patrick Keelaghan   | President, Chief Executive<br>Officer and Director<br>(Principal Executive<br>Officer) | December 18, 1997 |
| -----<br>/s/ Daniel D. Moore<br>-----<br>Daniel D. Moore       | Treasurer (Principal<br>Financial and Accounting<br>Officer)                           | December 18, 1997 |
| -----<br>/s/ Joseph P. Monaghan<br>-----<br>Joseph P. Monaghan | Director   | December 18, 1997 |
| -----<br>/s/ Louis J. Mitchell<br>-----<br>Louis J. Mitchell   | Secretary and Director   | December 18, 1997 |

II-11

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on this 18th day of December, 1997.

MATRIX INTERNATIONAL LOGISTICS, INC.

/s/ Ronald S. Cruse

-----  
Name: Ronald S. Cruse  
Title: Co-President, Treasurer and Director

/s/ Paul D. Smith

-----

Name: Paul D. Smith  
Title: Co-President, Secretary and Director

/s/ Steve Hitchcock

Name: Steve Hitchcock  
Title: Co-President, and Director

/s/ Douglas Cruikshank

Name: Douglas Cruikshank  
Title: Co-President, and Director

II-12

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE                                    | TITLE  | DATE              |
|--|--|-------------------|
| /s/ RONALD S. CRUSE<br>Ronald S. Cruse       | Co-President, Treasurer<br>and Director                                    | December 18, 1997 |
| /s/ PAUL D. SMITH<br>Paul D. Smith           | Co-President, Secretary<br>and Director                                    | December 18, 1997 |
| /s/ STEVE HITCHCOCK<br>Steve Hitchcock       | Co-President and Director  | December 18, 1997 |
| /s/ DOUGLAS CRUIKSHANK<br>Douglas Cruikshank | Co-President and Director  | December 18, 1997 |
| /s/ DIEGO HILDAGO<br>Diego Hildago           | Chief Financial Officer<br>(Principal Financial and<br>Accounting Officer) | December 18, 1997 |
| /s/ ROGER E. PAYTON<br>Roger E. Payton       | Director   | December 18, 1997 |

II-13

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on this 18th day of December, 1997.

BAY AREA MATRIX, INC.

/s/ Ronald S. Cruse

Name: Ronald S. Cruse  
Title: Co-President, Treasurer and  
Director

/s/ Paul D. Smith

Name: Paul D. Smith  
Title: Co-President, Secretary and  
Director

/s/ Steve Hitchcock

Name: Steve Hitchcock  
Title: Co-President and Director

/s/ Douglas Cruikshank

Name: Douglas Cruikshank  
Title: Co-President and Director

II-14

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE   | TITLE  | DATE              |
|---|--|-------------------|
| /s/ RONALD S. CRUSE<br>-----<br>Ronald S. Cruse       | Co-President, Treasurer and<br>Director                                    | December 18, 1997 |
| /s/ PAUL D. SMITH<br>-----<br>Paul D. Smith           | Co-President, Secretary and<br>Director                                    | December 18, 1997 |
| /s/ STEVE HITCHCOCK<br>-----<br>Steve Hitchcock       | Co-President and Director  | December 18, 1997 |
| /s/ DOUGLAS CRUIKSHANK<br>-----<br>Douglas Cruikshank | Co-President and Director  | December 18, 1997 |
| /s/ DIEGO HILDAGO<br>-----<br>Diego Hildago           | Chief Financial Officer<br>(Principal Financial and<br>Accounting Officer) | December 18, 1997 |
| /s/ ROGER E. PAYTON<br>-----<br>Roger E. Payton       | Director   | December 18, 1997 |

II-15

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on this 18th day of December, 1997.

L.A. MATRIX, INC.

/s/ Ronald S. Cruse

-----  
Name: Ronald S. Cruse  
Title: Co-President, Treasurer and  
Director

/s/ Paul D. Smith

-----  
Name: Paul D. Smith  
Title: Co-President, Secretary and  
Director

/s/ Steve Hitchcock

-----  
Name: Steve Hitchcock  
Title: Co-President and Director

/s/ Douglas Cruikshank

-----  
Name: Douglas Cruikshank  
Title: Co-President and Director

II-16

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE                   | TITLE                       | DATE              |
|-----------------------------|-----------------------------|-------------------|
| -----                       | -----                       | -----             |
| /s/ RONALD S. CRUSE         | Co-President, Treasurer and | December 18, 1997 |
| -----<br>Ronald S. Cruse    | Director                    |                   |
| /s/ PAUL D. SMITH           | Co-President, Secretary and | December 18, 1997 |
| -----<br>Paul D. Smith      | Director                    |                   |
| /s/ STEVE HITCHCOCK         | Co-President and Director   | December 18, 1997 |
| -----<br>Steve Hitchcock    |                             |                   |
| /s/ DOUGLAS CRUIKSHANK      | Co-President and Director   | December 18, 1997 |
| -----<br>Douglas Cruikshank |                             |                   |
| /s/ DIEGO HILDAGO           | Chief Financial Officer     | December 18, 1997 |

-----  
Diego Hildago (Principal Financial and  
Accounting Officer)  
  
/s/ ROGER E. PAYTON Director December 18, 1997  
-----  
Roger E. Payton

II-17

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on this 18th day of December, 1997.

SOUTHWEST MATRIX, INC.

/s/ Ronald S. Cruse  
-----

Name: Ronald S. Cruse  
Title: Co-President, Treasurer and  
Director

/s/ Paul D. Smith  
-----

Name: Paul D. Smith  
Title: Co-President, Secretary and  
Director

/s/ Steve Hitchcock  
-----

Name: Steve Hitchcock  
Title: Co-President and Director

/s/ Douglas Cruikshank  
-----

Name: Douglas Cruikshank  
Title: Co-President and Director

II-18

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE  | TITLE                                   | DATE              |
|--|---|-------------------|
| -----<br>/s/ RONALD S. CRUSE<br>-----<br>Ronald S. Cruse | Co-President, Treasurer and<br>Director | December 18, 1997 |
| -----<br>/s/ PAUL D. SMITH<br>-----<br>Paul D. Smith     | Co-President, Secretary and<br>Director | December 18, 1997 |

|                        |                           |                   |
|------------------------|---------------------------|-------------------|
| /s/ STEVE HITCHCOCK    | Co-President and Director | December 18, 1997 |
| -----                  |                           |                   |
| Steve Hitchcock        |                           |                   |
| /s/ DOUGLAS CRUIKSHANK | Co-President and Director | December 18, 1997 |
| -----                  |                           |                   |
| Douglas Cruikshank     |                           |                   |
| /s/ DIEGO HILDAGO      | Chief Financial Officer   | December 18, 1997 |
| -----                  | (Principal Financial and  |                   |
| Diego Hildago          | Accounting Officer)       |                   |
| /s/ ROGER E. PAYTON    | Director                  | December 18, 1997 |
| -----                  |                           |                   |
| Roger E. Payton        |                           |                   |

II-19

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on this 18th day of December, 1997.

MATRIX CT., INC.

/s/ Ronald S. Cruse

-----  
Name: Ronald S. Cruse  
Title: Co-President, Treasurer and  
Director

/s/ Paul D. Smith

-----  
Name: Paul D. Smith  
Title: Co-President, Secretary and  
Director

/s/ Steve Hitchcock

-----  
Name: Steve Hitchcock  
Title: Co-President and Director

/s/ Douglas Cruikshank

-----  
Name: Douglas Cruikshank  
Title: Co-President and Director

II-20

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

|           |       |       |
|-----------|-------|-------|
| SIGNATURE | TITLE | DATE  |
| -----     | ----- | ----- |



|   |  |                   |
|---|--|-------------------|
| /s/ RONALD S. CRUSE<br>-----<br>Ronald S. Cruse       | Co-President, Treasurer and<br>Director                                    | December 18, 1997 |
| /s/ PAUL D. SMITH<br>-----<br>Paul D. Smith           | Co-President, Secretary and<br>Director                                    | December 18, 1997 |
| /s/ STEVE HITCHCOCK<br>-----<br>Steve Hitchcock       | Co-President and Director  | December 18, 1997 |
| /s/ DOUGLAS CRUIKSHANK<br>-----<br>Douglas Cruikshank | Co-President and Director  | December 18, 1997 |
| /s/ DIEGO HILDAGO<br>-----<br>Diego Hildago           | Chief Financial Officer<br>(Principal Financial and<br>Accounting Officer) | December 18, 1997 |
| /s/ ROGER E. PAYTON<br>-----<br>Roger E. Payton       | Director   | December 18, 1997 |

II-21

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

LIW HOLDINGS CORP.

/s/ Roger E. Payton  
-----

Name: Roger E. Payton  
Title: President, Chairman of the Board  
and Director

#### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE<br>-----                              | TITLE<br>-----   | DATE<br>-----     |
|---|--|-------------------|
| /s/ ROGER E. PAYTON<br>-----<br>Roger E. Payton | President, Chairman of the<br>Board and Director   | December 18, 1997 |
| /s/ GARY S. HOLTER<br>-----<br>Gary S. Holter   | Vice President, Treasurer,<br>Assistant Secretary and<br>Director (Principal<br>Financial and Accounting<br>Officer) | December 18, 1997 |

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

ILLCAN, INC.

/s/ Michael B. Lenard

-----  
Name: Michael B. Lenard

Title: President and Director

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| SIGNATURE             | TITLE                       | DATE              |
|-----------------------|-----------------------------|-------------------|
| -----                 | -----                       | -----             |
| /s/ MICHAEL B. LENARD | President and Director      |                   |
| -----                 | (Principal Executive        | December 18, 1997 |
| Michael B. Lenard     | Officer)                    |                   |
| /s/ GARY S. HOLTER    | Chief Financial Officer     |                   |
| -----                 | (Principal Financial and    | December 18, 1997 |
| Gary S. Holter        | Accounting Officer)         |                   |
| /s/ ROGER E. PAYTON   | Vice President and Chairman |                   |
| -----                 | of the Board                | December 18, 1997 |
| Roger E. Payton       |                             |                   |

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillside, State of Illinois, on this 18th day of December, 1997.

ILLSCOT, INC.

/s/ Michael B. Lenard

-----  
Name: Michael B. Lenard

Title: President and Director

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Roger E. Payton and Gary S. Holter, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments)

to this Registration Statement, and any registration statement of the Company to be filed after the date hereof pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to take such actions in, and file with the appropriate authorities in, whatever states said attorneys-in-fact and agents, and each of them, shall determine, such applications, statements, consents, and other documents, as may be necessary or expedient to register securities of the Company for sale, granting unto said attorneys-in-fact and agents full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf. This Registration Statement and Power of Attorney, pursuant to the requirement of the Securities Act of 1933, as amended, have been signed below by the following persons in the capacities and on the dates indicated.

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| SIGNATURE  | TITLE   | DATE              |
|--|---|-------------------|
| -----<br>/s/ MICHAEL B. LENARD<br>-----<br>Michael B. Lenard | President and Director<br>(Principal Executive Officer)                 | December 18, 1997 |
| -----<br>/s/ GARY S. HOLTER<br>-----<br>Gary S. Holter       | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | December 18, 1997 |
| -----<br>/s/ ROGER E. PAYTON<br>-----<br>Roger E. Payton     | Vice President and Chairman<br>of the Board                             | December 18, 1997 |

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#### EXHIBIT INDEX

| <TABLE><br><CAPTION><br>EXHIBIT<br>NUMBER |   | DESCRIPTION |
|---|---|-------------|
| <S>                                       |   | <C>         |
| 3.1                                       | Amended and Restated Certificate of Incorporation of the Registrant.  |             |
| 3.2                                       | Amended and Restated Bylaws of the Registrant.  |             |
| 4.1                                       | Indenture dated as of October 29, 1997 between the Company and First Trust National Association, as Trustee.  |             |
| 4.2                                       | Form of New Note (included as Exhibit B to Exhibit 4.1).  |             |
| 4.3                                       | Form of Guarantee (included as Exhibit B to Exhibit 4.1).   |             |
| 4.4                                       | Registration Rights Agreement, dated as of October 29, 1997, between the Company and Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Baring (U.S.) Securities, Inc.  |             |
| 5.1                                       | Opinion of Milbank, Tweed, Hadley & McCloy.   |             |
| 10.1                                      | Third Amended and Restated Stockholders Agreement dated as of September 30, 1997 among the Company and each of the Holders listed on Exhibit A thereto.   |             |
| 10.2                                      | Amended and Restated Loan Agreement dated as of October 28, 1997 by and among the Company, The Bekins Company, Matrix International Logistics, Inc., ILLCAN, Inc., ILLSCOT, Inc., LEP Profit International, Inc. and LEP International Limited, as Borrowers and ING (US) Capital Corporation as administrative agents and the Lenders party thereto. |             |
| 10.3                                      | Second Amended and Restated Registration Rights Agreement dated as of November 7, 1996 by and between the Company and each of the Holders listed on Exhibit A thereto.  |             |
| 10.4                                      | Executive Management Agreement dated as of October 31, 1996 by and between the Company and William E. Simon & Sons, L.L.C.  |             |
| 10.5                                      | Employment Agreement dated as of April 30, 1996 between the Company and Roger E. Payton.  |             |
| 10.6                                      | Form of Employment Agreement between the Company and each of Messrs. Holter, Solis, Tieman and Jackson.   |             |
| 10.7                                      | Promissory Note made by Mr. Payton in favor of the Company.   |             |

|        |  |
|--------|--|
| 10.8   | Promissory Note made by Mr. Solis in favor of the Company.   |
| 10.9   | Form of Pledge Agreement executed by Messrs. Payton and Solis.                                       |
| 10.10* | Form of Warrant issued by the Company to Roger E. Payton.  |
| 10.11* | Form of Subscription Agreement executed by Roger E. Payton and the Company.                          |
| 10.12* | Form of Warrant issued by the Company to Messrs. Tieman, Solis and Holter.                           |
| 10.13* | Form of Subscription Agreement executed by the Company and each of Messrs. Tieman, Solis and Holter. |
| 10.14  | Form of Indemnification Agreement.   |
| 10.15  | Deferred Compensation Plan.  |

</TABLE>

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| <TABLE><br><CAPTION><br>EXHIBIT<br>NUMBER |  | DESCRIPTION  |
|---|--|--|
| <S>                                       |  | <C>  |
| 10.16                                     |  | Employee Stock Purchase Plan dated March 3, 1997.  |
| 10.17                                     |  | Executive Management Agreement dated as of November 1, 1997 by and between the Company, TCW Special Credits Fund V--The Principal Fund and Oaktree Capital Management, LLC.  |
| 10.18                                     |  | Agreement and Plan of Merger dated as of April 10, 1996, by and among the Company, Trasub, Inc., The Bekins Company, IMR General Inc., and IMR Fund, L.P.  |
| 10.19*                                    |  | Form of Warrant Agreement between the Company and Mr. Myers.   |
| 10.20                                     |  | Stock Purchase Agreement dated as of October 31, 1996 by and among LEP International Worldwide Limited, LEP International Holdings Limited, LEP Holdings (North America) Limited, LEP Holdings U.S.A. Inc. and the Company.    |
| 10.21*                                    |  | Stock Purchase Agreement dated as of October 31, 1996 by and among LEP International Worldwide Limited, LEP International Holdings Limited, LEP Holdings (North America) Limited and International Logistics (Canada) Company. |
| 10.22                                     |  | Stock Purchase Agreement dated as of November 7, 1996 by and among the Company and Douglas Cruikshank, Ronald S. Cruse, Steve Hitchcock and Paul D. Smith.   |
| 12.1                                      |  | Computation of Ratio of Earnings to Fixed Charges.   |
| 21.1                                      |  | Subsidiaries of the Registrant.  |
| 23.1                                      |  | Consent of Deloitte & Touche LLP.  |
| 23.2                                      |  | Consent of Price Waterhouse LLP.   |
| 23.3                                      |  | Consent of Arthur Andersen LLP.  |
| 23.4                                      |  | Consent of Milbank, Tweed, Hadley & McCloy (included in exhibit 5.1).  |
| 24.1                                      |  | Power of Attorney (included on signature page).  |
| 25.1*                                     |  | Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of First Bank National Association.   |
| 27  |  | Financial Data Schedule.   |
| 99.1                                      |  | Form of Letter of Transmittal.   |
| 99.2                                      |  | Form of Notice of Guaranteed Delivery.   |

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\* To be filed by amendment.

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CERTIFICATE OF INCORPORATION  
OF  
INTERNATIONAL LOGISTICS LIMITED

ARTICLE I

The name of the corporation is: International Logistics Limited.

ARTICLE II

The address of its registered office in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle, Delaware. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE III

The nature of the business or purpose to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is ten thousand (10,000), all of which shall be without par value, consisting of (i) five thousand (5,000) shares of Class A Common Stock and (ii) five thousand (5,000) shares of Class B Common Stock.

The Relative rights, preferences and limitations of the Class A Common Stock and Class B Common Stock of the Corporation shall be in all respects identical, share for share, except that the voting power for the election of directors and for all other purposes shall be vested exclusively in the holders of the Class A Common Stock, and, except as otherwise required by law, the holders of the Class B Common Stock shall not have any voting power or be entitled to receive any notice of meetings of shareholders. In all matters in which they shall have the right to vote, the holders of the Class A Common Stock and the Class B Common Stock shall have one vote per share.

ARTICLE V

The board of directors is authorized to make, alter or repeal the by-laws of the corporation. Election of the directors need not be by written ballot.

#### ARTICLE VI

The name and mailing address of the incorporator is: Christine W. Jenkins, 310 South Street, Morristown, NJ 07962-1913.

#### ARTICLE VII

The business of the Corporation shall be managed by or under the direction of its Board of Directors. The number of directors constituting the entire board shall be one or more, as determined by the by-laws.

To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

Any repeal or modification of this Article VII shall not adversely affect any right or protection of an existing director at the time of such repeal or modification.

IN WITNESS WHEREOF, I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 13th day of February, 1996.

/s/ CHRISTINE W. JENKINS

-----  
Christine W. Jenkins

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AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION

OF

INTERNATIONAL LOGISTICS LIMITED

The undersigned sole director hereby certifies that (i) this Amended and Restated Certificate of Incorporation of International Logistics Limited was duly adopted and is being filed pursuant to Sections 241 and 245 of the General Corporation Law of the State of Delaware and supersedes the heretofore existing Certificate of Incorporation of International Logistics Limited and all amendments thereto; (ii) the Company (as defined below) as of the date hereof has not received any payment for any of its stock and (iii) that the Certificate of Incorporation is amended and restated as follows.

#### ARTICLE I

The name of the corporation is International Logistics Limited (hereinafter referred to as the "Company").

#### ARTICLE II

The address of its registered office in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle, Delaware. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

#### ARTICLE III

The nature of the business or purpose to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

#### ARTICLE IV

The corporation is authorized to issue two million (2,000,000) shares of Common Stock, par value \$.001 per share (the "COMMON STOCK").

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#### ARTICLE V

The holders of the Common Stock shall be entitled to the payment of dividends when and as declared by the Board of Directors out of funds legally available therefor.

#### ARTICLE VI

The Board of Directors shall not be authorized to adopt, amend or repeal the Bylaws of the Company or this Certificate of Incorporation except as set forth in the Bylaws. The holders of Common Stock shall not be authorized to adopt, amend or repeal the Bylaws of the Company or this Certificate of Incorporation except as set forth in the Bylaws.

## ARTICLE VII

If the Company issues any Common Stock or securities convertible into Common Stock, or any right, title or interest therein to any Person, then the Company shall make the offer to sell pursuant to, and otherwise comply with the requirements set forth in this Article VII. Notwithstanding the foregoing, the Company may Transfer Common Stock or securities convertible into Common Stock, and any right, title or interest therein without making the offer to sell as set forth in this Article VII in connection with (i) an Initial Public Offering, (ii) the issuance of shares of Common Stock in connection with the exercise of warrants issued and outstanding as of May 5, 1996; (iii) the issuance of up to ten percent (10%) of the number of Securities issued and issuable, in connection with the acquisition of certain companies by the Company, to certain employees, executive officers and directors of the Company pursuant to any stock option plan approved by the Board of Directors; and (iv) the issuance of Securities to any employee, director or officer of the Company or any of its subsidiaries. Notwithstanding the foregoing, any rights or obligations pursuant to this Article VII shall terminate no later than the date of an Initial Public Offering. The rights in this Article VII shall not inure to the benefit of the Warrantholder (as defined below).

A. COMPANY TRANSFER NOTICE. If the Company desires in good faith to Transfer Common Stock or securities convertible into Common Stock, the Company shall deliver a written notice of the proposed Transfer (the "COMPANY TRANSFER NOTICE") to each stockholder that in the reasonable judgment of the Company is an Accredited Investor, or who can provide the Company with an opinion of counsel, reasonably satisfactory in form and substance to the Company, that the Company Transfer Securities (as defined

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below) may be sold to such stockholder without registration under the Securities Act (each an "ACCREDITED OFFEREE"). The Company Transfer Notice shall contain a description of the proposed transaction and the terms thereof including the number of Securities and type of Securities proposed to be transferred (collectively, the "COMPANY TRANSFER SECURITIES"), the name of each person to whom or in favor of whom the proposed Transfer is to be made (the "COMPANY TRANSFEREE"), and a description of the consideration to be received by the Company upon Transfer of the Company Transfer Securities. The Company Transfer Notice shall be accompanied by a copy of the offer to issue Securities to any Person (for purposes of this Article VII, and executed letter of intent stating the terms of such offer, or incorporating by reference a separate summary of



terms shall be deemed a written offer). On a day which is not earlier than the ten (10) days following delivery of the Company Transfer Notice and after having received the requisite approval from the Board of Directors, the Company may issue the Company Transfer Securities to the Company Transferee on the terms set forth in the Company Transfer Notice.

B. TERMS OF OFFER. Upon completion of the issuance of the Company Transfer Securities referred to in SUBSECTION (A) above, the Company shall deliver to each stockholder a written offer to sell (the "OFFER TO SELL") a Pro Rata portion of an equivalent number of the Company Transfer Securities based upon such stockholder's holdings of Securities. The Offer to Sell shall be on the same terms and conditions, and shall be for cash. If the consideration described in the Company Transfer Notice is for something other than cash, the purchase price paid by each stockholder for shares purchased pursuant to this SUBSECTION (B) shall be in cash at the Trading Price (or if no trading price is available, then the Fair Market Value) of such Securities determined as of the issue date of the Company Transfer Securities.

C. ACCEPTANCE OF OFFER. Within thirty (30) days after receipt of an Offer to Sell, any Accredited Offeree may, by written notice delivered to the Company, accept the Offer to Sell in whole or in part.

D. ADDITIONAL OFFER. If, within the thirty (30) day period specified in SECTION (C) above, the Accredited Offerees do not agree to purchase all of the Company Transfer Securities offered pursuant to the initial Offers to Sell, the Company shall make an additional offer to sell the remainder of the Company Transfer Securities (the "ADDITIONAL OFFER") proportionately to the stockholders who accepted in whole their respective initial Offers to Sell. The Additional Offer shall be made within five (5) days after expiration of the initial thirty (30) day period,

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and may be accepted, in whole or in part, by written notice delivered to the Company within ten (10) days after receipt. Notwithstanding any other provision of this Article VII, the Accredited Offerees may permit, by written agreement signed by each Accredited Offeree, any Accredited Offeree to purchase more or less than such Accredited Offeree's Pro Rata portion of the Company Transfer Securities.

E. TRANSFER OF SHARES. Transfers of Securities pursuant to offers made and accepted in accordance with this Article VII or to a Company Transferee shall occur simultaneously on a Business Day not more than thirty (30) days after the last date on which any offer in accordance with this Article VII could have been accepted.

F. DEFINITIONS. For the purpose of this Article VII capitalized terms not otherwise defined in this Article VII shall have the following meanings assigned to them:

"ACCREDITED INVESTOR" shall have the meaning set forth for such term in Regulation D under the Securities Act.

"BUSINESS DAY" shall mean a day other than Saturday, Sunday or any other day on which banks located in the State of California are authorized or obligated to close.

"FAIR MARKET VALUE" shall mean the fair market value of the Company's Common Stock (or other securities if in the context of untraded securities distributed in connection with a Qualified Sale) as determined on a fully-distributed basis without regard to liquidity or size relative to the number of shares outstanding; PROVIDED, that such valuation (x) be performed by a nationally recognized investment banking, valuation or appraisal firm paid for by the Company and (y) shall ascribe value to warrants as the amount, if any, by which the value of the Common Stock underlying the warrant shall exceed the aggregate exercise price related thereto.

"INITIAL PUBLIC OFFERING" means the first underwritten public offering of Common Stock by the Company pursuant to a registration of shares under the Securities Act on a Form S-1 Registration Statement (or equivalent or successor form).

"PRO RATE" shall mean, with respect to any offer of shares of Common Stock or securities exercisable or convertible into shares of Common Stock, an offer based on the relative percentages of Securities then held by or issuable to all of the stockholders to whom such offer is made.

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"QUALIFIED SALE" shall mean (i) any sale of all or substantially all of the assets of the Company or (ii) any sale, merger or liquidation of the Company with or into any other entity whereby at least a majority of the voting stock or other voting interests of such surviving entity shall be owned or controlled by a person other than a stockholder.

"SECURITIES" shall mean the shares of Common Stock and any securities convertible or exercisable into shares of Common Stock.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"TRADING PRICE" means the trading price for each trading day: (a) if the Common Stock is traded on a national securities exchange, its last reported sale price on the preceding Business Day on such national securities exchange on the next preceding Business Day on which there was a sale, all as made available over the Consolidated Last Sale Reporting System of the CTA Plan (the "CLSRS") or, if the Common Stock is not then eligible for reporting over the CLSRS, its last reported sale price on the preceding Business Day on such national

securities exchange or, if there was no sale on that day, on the next preceding Business Day on which there was a sale on such exchange or (b) if the principal market for the Common Stock is the over-the-counter market, but the Common Stock is not then eligible for reporting over the CLSRS, but the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the last sale price reported on NASDAQ on the preceding Business Day or, if the Common Stock is an issue for which last sale prices are not reported on NASDAQ, the closing bid quotation on such day, but in each of the next preceding two cases, if the relevant NASDAQ price or quotation did not exist on such day, then the price or quotation on the next preceding Business Day in which there was such a price or quotation.

"TRANSFER" shall mean the issuance, sale, assignment, transfer, giving away, or disposal in any way of any Securities.

"WARRANTHOLDER" shall mean the holder (or any successors in interest thereto) of that certain Warrant, issued and outstanding as of May 5, 1996, which is exercisable into 66,489 shares of Common Stock; PROVIDED, HOWEVER, that upon the full exercise of all, but not less than all, of the shares of Common Stock underlying such Warrant, such holder (or any successors in interest thereto) shall not be deemed a "Warrantholder" for purposes of this Article VII.

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#### ARTICLE VIII

If an investment opportunity for the Company is presented to the Board of Directors and such investment opportunity is not approved within a reasonable time by the Board of Directors in accordance with the terms and provisions of the By-Laws, then any non-employee stockholder or director of the Company may pursue, either alone or in concert with other parties, such investment opportunity independently of the Company and shall be permitted to manage such investment without regard to the potential impact, competitive or otherwise, on the Company, and such stockholder or director shall have no liability to the Company or its stockholders for such actions or any actions in connection therewith, including sharing trade secrets of other confidential information.

#### ARTICLE IX

Subject to Article VIII, a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after the date of the filing of this Certificate to authorize corporate action

further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. No repeal or modification of this Article IX shall apply to or have any effect on the liability or alleged liability of any director of the Company for or with respect to any acts or omissions of such director occurring prior to such repeal or modification.

#### ARTICLE X

To the fullest extent authorized by law, the Board of Directors of the Company, acting on behalf of the Company, shall indemnify or advance costs of defense, or commit the Company to indemnify or advance costs of defense in the future, to any person who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (including an action,

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suit or proceeding by or in the right of the Company) by reason of the fact that the person is or was a director, officer, employee or agent of the Company or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Company, or serves or served at the request of the Company as a director, officer, partner, trustee, agent or employee, or fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. This Article X shall not be deemed exclusive of any other provision for indemnification of directors, officers, fiduciaries, employees or agents that may be included in any statute, bylaw, resolution of shareholders or directors, agreement or otherwise, either as to action in any official capacity or action in another capacity while holding office.

IN WITNESS WHEREOF, I, the undersigned, being the sole director hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein are true, and accordingly have hereunto set my hand this 1st day of May, 1996.

/s/ MICHAEL B. LENARD

-----  
Michael B. Lenard

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#### CERTIFICATE OF AMENDMENT

OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
INTERNATIONAL LOGISTICS LIMITED

International Logistics Limited, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY:

FIRST: That, at a meeting of the Board of Directors of the Corporation held on October 28, 1996, resolutions were duly adopted setting forth proposed amendments to the Restated Certificate of Incorporation of the Corporation, declaring said amendments to be advisable and directing its officers to submit said amendments to the stockholders of the Corporation for consideration thereof. The resolutions setting forth the proposed amendments are as follows:

RESOLVED, that Article IV of the Corporation 's Restated Certificate of Incorporation be amended to read as follows:

"IV: The corporation is authorized to issue five million (5,000,000) shares of Common Stock, par value \$.001 per share ("Common Stock")."

RESOLVED FURTHER, that Article VII, Section F. of the Corporation's Restated Certificate of Incorporation's Restated Certificate of Incorporation be amended to add thereto a definition of the term "Person", which definition shall read as follows:

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof."

SECOND: That, thereafter, by written consent of the holders of at least 75% of the voting stock of the Corporation, the necessary number of shares required by statute were voted in

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favor of the amendments. Prompt written notice in accordance with Section 228 of the General Corporation Law of the State of Delaware has been given to those

stockholders of the Corporation who have not consented in writing.

THIRD: That said amendments were duly adopted in accordance with the provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, International Logistics Limited has caused this certificate to be signed by Roger E. Payton, its Chief Executive Officer, this 28th day of October, 1996.

/s/ ROGER E. PAYTON

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Roger E. Payton

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AMENDED AND RESTATED  
BYLAWS  
OF  
INTERNATIONAL LOGISTICS LIMITED

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AMENDED AND RESTATED  
BYLAWS  
OF  
INTERNATIONAL LOGISTICS LIMITED

ARTICLE I  
OFFICE AND RECORDS

SECTION 1.1 DELAWARE OFFICE. The principal office of the Company in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Prentice-Hall Corporation, Inc., 1209 Orange Street, Wilmington, Delaware.

SECTION 1.2 OTHER OFFICES. The Company may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Company may from time to time require.

SECTION 1.3 BOOKS AND RECORDS. The books and records of the Company may be kept at the Company's principal executive offices in 310 South Street, Morristown, New Jersey, 07962 or at such other locations outside the State of Delaware as may from time to time be designated by the Board of Directors.

ARTICLE II  
STOCKHOLDERS

SECTION 2.1 ANNUAL MEETING. Except as otherwise provided in Section 2.8 of these Bylaws, an annual meeting of stockholders of the Company shall be held at such time and date in each year as the Board of Directors, the Chairman of the Board, if any, or the President may from time to time determine. The annual meeting in each year shall be held at such place within or without the State of Delaware as may be fixed by the Board of Directors, or if not so fixed, at 12:00 P.M., local time, at the principal executive offices of the Company.

SECTION 2.2 SPECIAL MEETINGS. A special meeting of the holders of stock of the Company entitled to vote on any business to be considered at any such meeting may be called only by the Chairman of the Board, if any, or the President or any Vice President, and shall be called by the Chairman of the Board,

if any, or the President or the Secretary when directed to do so by resolution

of the Board of Directors or at the written request of directors representing a majority of the total number of directors which the Company would at the time have if there were no vacancies (the "Whole Board"). Any such request shall state the purpose or purposes of the proposed meeting. The Board of Directors may designate the place of meeting for any special meeting of stockholders, and if no such designation is made, the place of meeting shall be the principal executive offices of the Company.

SECTION 2.3 NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, unless notice is waived as provided in Section 8.1 of these Bylaws, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Unless otherwise provided by law, and except as to any stockholder duly waiving notice, the written notice of any meeting shall be given personally or by mail, not less than ten nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Company.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting. If, however, the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 2.4 QUORUM. Prior to a Voting Termination Event, at any meeting of stockholders the holders of eighty percent (80%) of the outstanding stock entitled to vote thereat, either present or represented by proxy, shall constitute a quorum for the transaction of any business. Except as otherwise provided by law or by the Certificate of Incorporation, upon a Voting Termination Event, at any meeting of stockholders the holders of a majority of the outstanding stock entitled to vote thereat, either present or represented by proxy, shall constitute a quorum for the transaction of any business, but the stockholders present, although less than a quorum, may adjourn the meeting to

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another time or place and, except as provided in the last paragraph of Section 2.3 of these Bylaws, notice need not be given of the adjourned meeting.

SECTION 2.5 VOTING. Prior to a Voting Termination Event, all such actions taken by, in the name of or on behalf of the holders of Common Stock

shall require an affirmative vote of the holders representing at least eighty percent (80%) of the issued and outstanding shares entitled to vote. Upon a Voting Termination Event, all such actions taken by, in the name of or on behalf of the holders of Common Stock shall require an affirmative vote of a majority of the issued and outstanding shares entitled to vote.

Except as otherwise required by these Bylaws, whenever directors are to be elected at a meeting, they shall be elected by a plurality of the votes cast at the meeting by the holders of stock entitled to vote. Whenever any corporate action, other than the election of directors, is to be taken by vote of stockholders at a meeting, it shall, except as otherwise required by law or by the Certificate of Incorporation or by these Bylaws, be authorized by a majority of the votes cast with respect thereto at the meeting (including abstentions) by the holders of stock entitled to vote thereon.

Except as otherwise provided by law or by the Certificate of Incorporation, each holder of record of stock of the Company entitled to vote on any matter at any meeting of stockholders shall be entitled to one vote for each share of such stock standing in the name of such holder on the stock ledger of the Company on the record date for the determination of the stockholders entitled to vote at the meeting.

Upon the demand of any stockholder entitled to vote, the vote for directors or the vote on any other matter at a meeting shall be by written ballot, but otherwise the method of voting and the manner in which votes are counted shall be discretionary with the presiding officer at the meeting.

SECTION 2.6 PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Every proxy shall be signed by the stockholder or by his duly authorized attorney.

SECTION 2.7 LIST OF STOCKHOLDERS. The officer who has charge of the stock ledger of the Company shall prepare and make,

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at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time

thereof, and may be inspected by any stockholder who is present.

The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this Section or the books of the Company, or to vote in person or by proxy at any meeting of stockholders.

SECTION 2.8 WRITTEN CONSENT OF STOCKHOLDERS IN LIEU OF MEETING. Any action required by the General Corporation Law of the state of Delaware (the "GCL") to be taken at any annual or special meeting of stockholders of the Company, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt written notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Any such written consent may be given by one or any number of substantially concurrent written instruments of substantially similar tenor signed by such stockholders, in person or by attorney or proxy duly appointed in writing, and filed with the Secretary or an Assistant Secretary of the Company. Any such written consent shall be effective as of the effective date thereof as specified therein, provided that such date is not more than sixty (60) days prior to the date such written consent is filed as aforesaid, or, if no such date is so specified, on the date such written consent is filed as aforesaid.

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## ARTICLE III

### DIRECTORS

#### SECTION 3.1 NUMBER OF DIRECTORS.

a. PRE-VOTING TERMINATION EVENT. Prior to the first to occur of (i) an Initial Public Offering, (ii) a Sell-Down Event, (iii) a WES&S Purchase Default, (iv) a WES&S Funding Default, (v) a Financial Default Disagreement, (vi) an OCM Entity Purchase Default, (vii) an OCM Entity Funding Default or (viii) May 2, 2002 (in each case a "VOTING TERMINATION EVENT"), the Board of Directors of the Company (the "BOARD OF DIRECTORS") shall at all times consist of eight (8) members. OCM shall have the right, at its election, to appoint two (2) members of the Board of Directors of the Company (an "OCM DIRECTOR"), TCW shall have the right, at its election, to appoint one (1) member of the Board of Directors of the Company (a "TCW DIRECTOR"), WES&S shall have the right, at its election, to appoint three (3) members of the Board of Directors of the Company (a "WES&S DIRECTOR")

William E. Myers, Jr. shall be the seventh member of the Board of Directors and the eighth member of the Board of Directors shall be the Chief Executive Officer of the Company. Only OCM shall have the right to remove an OCM Director, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such OCM Director. Only TCW shall have the right to remove a TCW Director, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such TCW Director. Only WES&S shall have the right to remove a WES&S Director, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such WES&S Director.

b. POST-VOTING TERMINATION EVENT. Except as may be otherwise provided herein or by law, upon a Voting Termination Event that is not caused by an Initial Public offering, the Board of Directors of the Company shall at all times consist of at least five (5) members or such greater number that shall be needed to satisfy the terms of this SECTION 3.1(b) consisting of:

(A) (i) a majority of Board of Directors seats designated by an OCM Entity, PROVIDED, that the combined holdings of the OCM Entities are fifty percent (50%) or more of the voting stock and the Voting Termination Event is due to an event other than an OCM Entity Funding Default or an OCM Entity Purchase Default, (ii) one (1) Board of Directors seat less than a majority designated by an OCM Entity, PROVIDED, that either (x) the combined holdings of the OCM Entities

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are at least twenty-five percent (25%) but less than fifty percent (50%) of the voting stock or (y) the combined holdings of the OCM Entities are fifty percent (50%) or more of the voting stock and the voting Termination Event is due solely to an OCM Entity Funding Default or an OCM Entity Purchase Default, or (iii) one (1) Board of Directors seat designated by an OCM Entity, PROVIDED, that the combined holdings of the OCM Entities are at least ten percent (10%) but less than twenty-five (25%) of the voting stock (in each case, an "OCM ENTITY TERMINATION DIRECTOR");

(B) one (1) Board of Directors seat to be the Chief Executive Officer;

(C) one (1) Board of Directors seat to be William E. Myers, Jr.; and

(D) the remainder of the board seats to be designated by WES&S (a "WES&S TERMINATION DIRECTOR"); PROVIDED, HOWEVER, that in no event shall WES&S designate less than one (1) Board of Directors seat.

Only OCM shall have the right to remove an OCM Entity Termination Director appointed by OCM or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such OCM Entity Termination Director. Only TCW shall have the right to remove an OCM Entity Termination Director appointed by

TCW or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such OCM Entity Termination Director. Only WES&S shall have the right to remove a WES&S Termination Director or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such WES&S Termination Director.

c. NUMBER OF DIRECTORS.

Upon a Voting Termination event that is caused by an Initial Public Offering, the number of directors may be changed at any time and from time to time by vote at a meeting or by written consent of the holders of stock entitled to vote on the election of directors, or by a resolution of the Board of Directors passed by a majority of the Whole Board, except that no decrease shall shorten the term of any incumbent director unless such director is specifically removed pursuant to Section 3.5 of these Bylaws at the time of such decrease.

SECTION 3.2 ELECTION AND TERM OF DIRECTORS. Subject to SECTION 3.1, the Directors shall be elected annually, by election at the annual meeting of stockholders or by written

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consent of the holders of stock entitled to vote thereon in lieu of such meeting if the annual election of directors is not held on the date designated therefor, the directors shall cause such election to be held as soon thereafter as convenient. Each director shall hold office from the time of his or her election and qualification until his successor is elected and qualified or until his or her earlier resignation, or removal.

SECTION 3.3 VACANCIES AND NEWLY CREATED DIRECTORSHIPS. At any time a vacancy is created on the Board by the death, removal (with or without cause) or resignation of any one of the Directors, no action shall be taken by the Board until the Board is reconstituted with the appropriate number of directors. Only OCM or an OCM Affiliate shall have the right to remove an OCM Director or an OCM Entity Termination Director appointed by OCM, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such OCM Director or OCM Entity Termination Director. Only TCW or an TCW Affiliate shall have the right to remove a TCW Director or an OCM Entity Termination Director appointed by TCW, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such TCW Director or OCM Entity Termination Director. Only WES&S or a WES&S Affiliate shall have the right to remove a WES&S Director or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such WES&S Director or WES&S Termination Director. For all other vacancies, the remaining directors shall meet in person or by telephone for the purpose of approving and appointing a director in accordance with the provisions set forth in SECTION 3.1 hereof.

SECTION 3.4 RESIGNATION. Any director may resign at any time upon

written notice to the Company. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective.

SECTION 3.5 REMOVAL. Except as otherwise set forth in these Bylaws, any or all of the directors may be removed at any time, with or without cause, by vote at a meeting or by written consent of the holders of stock entitled to vote on the election of directors.

SECTION 3.6 MEETINGS. Meetings of the Board of Directors, regular or special, may be held at any place within or without the State of Delaware. Members of the Board of Directors, or of any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in

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the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. An annual meeting of the Board of Directors shall be held after each annual election of directors. If such election occurs at an annual meeting of stockholders, the annual meeting of the Board of Directors shall be held at the same place and immediately following such meeting of stockholders, and no further notice thereof need be given other than this Bylaw. If an annual election of directors occurs by written consent in lieu of the annual meeting of stockholders, the annual meeting of the Board of Directors shall take place as soon after such written consent is duly filed with the Company as is practicable, either at the next regular meeting of the Board of Directors or at a special meeting. The Board of Directors may fix times and places for additional regular meetings of the Board of Directors and no notice of such meetings need be given. A special meeting of the Board of Directors shall be held whenever called by the Chairman of the Board, if any, or by the President or by at least one-third of the directors for the time being in office, at such time and place as shall be specified in the notice or waiver thereof. Notice of each special meeting shall be given by the Secretary or by a person calling the meeting to each director by mailing the same, postage prepaid, not later than the second day before the meeting, or personally or by telegraphing or telephoning the same not later than the day before the meeting.

SECTION 3.7 QUORUM AND VOTING. Prior to a Voting Termination Event and except with respect to the daily affairs and operations of the Company arising in the ordinary course of business, which affairs shall be attended to by the officers of the Company under the ultimate direction of the Board of Directors, six (6) of the directors present at a meeting shall constitute a quorum. Prior to a Voting Termination Event, no action shall be taken, securities issued, monies borrowed, sum expended, decision made or obligation incurred by or on behalf of the Company with respect to any matter, unless approved by six (6) Directors of the Company. Upon a Voting Termination Event,



a whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if there be less than a quorum at any meeting of the Board of Directors, a majority of the directors present may adjourn the meeting from time to time, and no further notice thereof need be given other than announcement at the meeting which shall be so adjourned. Upon a Voting Termination Event, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 3.8 WRITTEN CONSENT OF DIRECTORS IN LIEU OF A MEETING. Any action required or permitted to be taken at any

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meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

SECTION 3.9 COMPENSATION. Directors may receive compensation for services to the Company in their capacities as directors or otherwise in such manner and in such amounts as may be fixed from time to time by the Board of Directors.

#### SECTION 3.10 COMMITTEES OF THE BOARD OF DIRECTORS.

(a) Prior to a Voting Termination Event, an Executive Committee (the "EXECUTIVE COMMITTEE") consisting of three (3) members of the Board of Directors shall be authorized to take any action on behalf of the Board of Directors (in between meetings of the Board of Directors) upon the unanimous approval of such Executive Committee. Each of OCM and WES&S shall designate one (1) OCM Director (an "OCM EXECUTIVE DIRECTOR") and one (1) WES&S Director (a "WES&S EXECUTIVE DIRECTOR"), respectively, to sit on the Executive Committee; and the third member of the Executive Committee shall be the Chief Executive officer of the Company.

Only OCM shall have the right to remove an OCM Executive Director or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such OCM Executive Director. only WES&S shall have the right to remove a WES&S Executive Director or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such WES&S Executive Director.

(b) Upon a Voting Termination Event, the Board of Directors may from time to time, by resolution passed by majority of the Whole Board, designate one or more committees, each committee to consist of one or more directors of the Company. Each such committee shall keep a record of its acts and proceedings and shall report thereon to the Board of Directors whenever requested so to do. Any or all members of any such committee may be removed, with or without cause,



by resolution of the Board of Directors, passed by a majority of the whole Board.

## ARTICLE IV

### OFFICERS, AGENTS AND EMPLOYEES

SECTION 4.1 APPOINTMENT AND TERM OF OFFICE. The officers of the Company may include a President, a Chief Executive officer, a Secretary and a Treasurer, and may also

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include a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. All such officers shall be appointed by the Board of Directors or by a duly authorized committee thereof, and shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV, together with such other powers and duties as from time to time may be conferred by the Board of Directors or any committee thereof. Any number of such offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. Except as may be prescribed otherwise by the Board of Directors or a committee thereof in a particular case, all such officers shall hold their offices at the pleasure of the Board of Directors for an unlimited term and need not be reappointed annually or at any other periodic interval. The Board of Directors may appoint, and may delegate power to appoint, such other officers, agents and employees as it may deem necessary or proper, who shall hold their offices or positions for such terms, have such authority and perform such duties as may from time to time be determined by or pursuant to authorization of the Board of Directors.

SECTION 4.2 RESIGNATION AND REMOVAL. Any officer may resign at any time upon written notice to the Company. Any officer, agent or employee of the Company may be removed by the Board of Directors, or by a duly authorized committee thereof, with or without cause at any time. The Board of Directors or such a committee thereof may delegate such power of removal as to officers, agents and employees not appointed by the Board of Directors or such a committee. Such removal shall be without prejudice to a person's contract rights, if any, but the appointment of any person as an officer, agent or employee of the Company shall not of itself create contract rights.

SECTION 4.3 COMPENSATION AND BOND. The compensation of the officers of the Company shall be fixed by the Board of Directors, but this power may be delegated to any officer in respect of other officers under his or her control. The Company may secure the fidelity of any or all of its officers, agents or employees by bond or otherwise.

SECTION 4.4 CHAIRMAN OF THE BOARD. The Chairman of the Board, if there be one, shall preside at all meetings of stockholders and of the Board of Directors, and shall have such other powers and duties as may be delegated to him or her by the Board of Directors.

SECTION 4.5 CHIEF EXECUTIVE OFFICER AND PRESIDENT. In the absence of the Chairman of the Board (or if there be none), the Chief Executive Officer shall preside at all meetings of the

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stockholders and of the Board of Directors. The Chief Executive officer and President shall have general charge of the business affairs of the Company. The Chief Executive officer and President may employ and discharge employees and agents of the Company, except such as shall be appointed by the Board of Directors, and he or she may delegate these powers. The Chief Executive Officer may vote the stock or other securities of any other domestic or foreign corporation of any type or kind which may at any time be owned by the Company, may execute any stockholders' or other consents in respect thereof and may in his or her discretion delegate such powers by executing proxies, or otherwise, on behalf of the Company. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons. In the absence or inability to act of the Chief Executive Officer, unless the Board of Directors shall otherwise provide, the President who has served in that capacity for the longest time and who shall be present and able to act, shall perform all the duties and may exercise any of the powers of the Chief Executive Officer.

SECTION 4.6 VICE PRESIDENTS. Each Vice President shall have such powers and perform such duties as the Board of Directors, the Chief Executive Officer or the President may from time to time prescribe. In the absence or inability to act of the President, unless the Board of Directors shall otherwise provide, the Vice President who has served in that capacity for the longest time and who shall be present and able to act, shall perform all the duties and may exercise any of the powers of the President.

SECTION 4.7 TREASURER. The Treasurer shall have charge of all funds and securities of the Company, shall endorse the same for deposit or collection when necessary and deposit the same to the credit of the Company in such banks or depositories as the Board of Directors may authorize. He or she may endorse all commercial documents requiring endorsements for or on behalf of the Company and may sign all receipts and vouchers for payments made to the Company. He or she shall have all such further powers and duties as generally are incident to the position of Treasurer or as may be assigned to him or her by the President, Chief Executive Officer or the Board of Directors.

SECTION 4.8 SECRETARY. The Secretary shall record all the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose and shall also record therein all action taken by written consent of the stockholders or directors in lieu of a meeting. He or she shall

attend to the giving and serving of all notices of the Company. He or she shall have custody of the seal of the Company and shall attest the same by his or her signature whenever required. He or she

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shall have charge of the stock ledger and such other books and papers as the Board of Directors may direct, but he or she may delegate responsibility for maintaining the stock ledger to any transfer agent appointed by the Board of Directors. He or she shall have all such further powers and duties as generally are incident to the position of Secretary or as may be assigned to him or her by the President, Chief Executive officer or the Board of Directors.

SECTION 4.9 ASSISTANT TREASURERS. In the absence or inability to act of the Treasurer, any Assistant Treasurer may perform all the duties and exercise all the powers of the Treasurer. An Assistant Treasurer shall also perform such other duties as the Treasurer or the Board of Directors may assign to him or her.

SECTION 4.10 ASSISTANT SECRETARIES. In the absence or inability to act of the Secretary, any Assistant Secretary may perform all the duties and exercise all the powers of the Secretary. An Assistant Secretary shall also perform such other duties as the Secretary or the Board of Directors may assign to him or her.

SECTION 4.11 DELEGATION OF DUTIES. In case of the absence of any officer of the Company, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any director.

## ARTICLE V

### INDEMNIFICATION AND INSURANCE

SECTION 5.1 RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") , by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or an officer of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to any employee benefit plan (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the

fullest extent authorized by the GCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys, fees, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended, and amounts paid or to be paid in settlement) reasonably incurred by such indemnitee in connection therewith; PROVIDED, HOWEVER, that except as provided in Section 5.3 with respect to proceedings seeking to enforce rights to indemnification, the Company shall indemnify any such indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors.

SECTION 5.2 RIGHT TO ADVANCEMENT OF EXPENSES. The right to indemnification conferred in Section 5.1 shall include the right to be paid by the Company the expenses (including attorneys, fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses") ; PROVIDED, HOWEVER, that, if the GCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Company of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 5.2 or otherwise.

SECTION 5.3 RIGHT OF INDEMNITEE TO BRING SUIT. If a claim under Section 5.1 or Section 5.2 is not paid in full by the Company within thirty (30) days after a written claim has been received by the Company, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right of an advancement of expenses) it shall be a defense that, and

(ii) in any suit brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the Company shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the GCL. Neither the failure of the Company (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the GCL, nor an actual determination by the Company (including its Board of Directors, independent legal counsel or stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article V or otherwise shall be on the Company.

SECTION 5.4 NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement of expenses conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, provision of these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 5.5 INSURANCE. The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the GCL.

SECTION 5.6 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE COMPANY. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to the advancement of expenses, to any employee or agent of the Company to the fullest extent of the provisions of this Article V with respect to the indemnification and advancement of expenses of directors and officers of the Company.

SECTION 5.7 CONTRACT RIGHTS. The rights to indemnification and to the advancement of expenses conferred in Section 5.1 and Section 5.2 shall be contract rights and such

rights shall continue as to an indemnitee who has ceased to be a director,

officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

## ARTICLE VI

### COMMON STOCK

SECTION 6.1 CERTIFICATES. Certificates for stock of the Company shall be in such form as shall be approved by the Board of Directors and shall be signed in the name of the Company by the Chairman of the Board, if any, or the Chief Executive Officer, the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. Such certificates may be sealed with the seal of the Company or a facsimile thereof. Any of or all the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued,, it may be issued by the Company with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

SECTION 6.2 TRANSFERS OF STOCK. Transfers of stock shall be made only upon the books of the Company by the holder, in person or by duly authorized attorney, and on the surrender of the certificate or certificates for the same number of shares, properly endorsed. The Board of Directors shall have the power to make all such rules and regulations, not inconsistent with the Certificate of Incorporation and these Bylaws and the GCL, as the Board of Directors may deem appropriate concerning the issue, transfer and registration of certificates for stock of the Company. The Board of Directors may appoint one or more transfer agents or registrars of transfers, or both, and may require all stock certificates to bear the signature of either or both.

SECTION 6.3 LOST, STOLEN OR DESTROYED CERTIFICATES. Except as otherwise set forth in the Certificate of Incorporation, the Company may issue a new stock certificate in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Company may require the owner of the lost, stolen or destroyed certificate or his or her legal representative to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate. The Board of Directors may require such owner to satisfy other reasonable requirements as it deems appropriate under the circumstances.

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SECTION 6.4 STOCKHOLDER RECORD DATE. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any

dividend

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A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

Only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to give such consent, or to receive payment of such dividend or other distribution, or to exercise such rights in respect of any such change, conversion or exchange of stock, or to participate in such action, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any record date so fixed.

## ARTICLE VII

### SEAL

SECTION 7.1 SEAL. The seal of the Company shall be circular in form and shall bear, in addition to any other emblem or device approved by the Board of Directors, the name of the Company, the year of its incorporation and the words "Corporate Seal" and "Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

## ARTICLE VIII

### WAIVER OF NOTICE

SECTION 8.1 WAIVER OF NOTICE. Whenever notice is required to be given to any stockholder or director of the Company under any provision of the GCL or the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. In the case of a stockholder, such waiver

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of notice may be signed by such stockholder's attorney or proxy duly appointed in writing. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting



of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

## ARTICLE IX

### CHECKS, NOTES, DRAFTS, ETC.

SECTION 9.1 CHECKS, NOTES, DRAFTS, ETC. Checks, notes, drafts, acceptances, bills of exchange and other orders or obligations for the payment of money shall be signed by such officer or officers or person or persons as the Board of Directors or a duly authorized committee thereof may from time to time designate.

## ARTICLE X

### AMENDMENTS

SECTION 10.1 AMENDMENTS. Prior to a Voting Termination Event, these Bylaws and the Certificate of Incorporation may be altered, amended or repealed at any time by the stockholders beneficially owning at least eighty percent (80%) of the issued and outstanding shares of Common Stock entitled to Vote. Upon a Voting Termination Event, these Bylaws and the Certificate of Incorporation may be altered, amended, or repealed at any time by the stockholders beneficially owning a majority of the issued and outstanding shares of Common Stock entitled to vote. Notwithstanding the foregoing, no amendment or modification to ARTICLES II OR III hereof may be made without the consent of the stockholders beneficially owning ninety percent (90%) of the issued and outstanding shares of Common Stock entitled to vote. No amendment, modification or waiver of any provision hereof shall extend to or affect any obligation not expressly amended, modified or waived or impair any right consequent thereon. No course of dealing, and no failure to exercise or delay in exercising any right, remedy, power or privilege hereunder, shall operate as a waiver, amendment or modification of any provision of the Company's Certificate of Incorporation or these Bylaws.

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## ARTICLE XI

### DEFINITIONS

The following terms shall have the following meanings, which meanings shall be equally applicable to the singular and plural forms of such terms:

"AFFILIATE" of any person or entity means any person or entity which directly or indirectly controls, is controlled by, or is under common control with such person or entity.



"CONTROL," "CONTROLLED BY" and "UNDER COMMON CONTROL WITH" means direct or indirect possession of the power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); provided that control shall be conclusively presumed when any person or entity or affiliated group directly or indirectly owns ten percent (10%) or more of the securities having ordinary voting power for the election of a majority of the directors of a corporation.

"CLOSING DATE" means October 31, 1996.

"FINANCIAL DEFAULT" shall mean with respect to the Company or any Subsidiary, any of the following: (i) the occurrence of a default under any indebtedness with a principal amount in excess of \$20 million (either individually or in the aggregate) to the extent that such default is not cured or waived within thirty (30) days; (ii) the acceleration of any indebtedness with a principal amount in excess of \$10 million (either individually or in the aggregate) to the extent not paid or rescinded within five (5) days; (iii) the imposition of any final and non-appealable judgments in excess of \$10 million (either individually or in the aggregate) to the extent not paid or rescinded within five (5) days; or (iv) the filing of any voluntary or involuntary bankruptcy petition with respect to the Company or any Subsidiary to the extent not withdrawn within five (5) days.

"FINANCIAL DEFAULT DISAGREEMENT" shall mean that, upon the occurrence of a Financial Default, the Board of Directors of the Company is unable to agree on the Company's course of action in response to a Financial Default.

"INITIAL PUBLIC OFFERING" means the first underwritten public offering of Common Stock by the Company pursuant to a registration of shares under the Securities Act on a Form S-1 Registration Statement (or equivalent or successor form).

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"OCM" means OCM Principal Opportunities Fund, L.P., a Delaware limited partnership.

"OCM DIRECTORS" has the meaning assigned to such term in SECTION 3.1(a).

"OCM ENTITY" means either or both of TCW and OCM, as the context indicates.

"OCM AFFILIATE" means any investor in or any employee of OCM or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint venture, limited liability company, association or partnership of which OCM or Oaktree, is a shareholder, manager or general partner, as the case may be.

Securities transferred to such Person and (B) the cumulative number of Securities so transferred (or the economic capital interest therein) by WES&S shall not exceed the Threshold Amount.

"SIMON ENTITY" means Logistical Simon, L.L.C., a Delaware limited liability company, WESINVEST, Inc., a Delaware corporation or William E. Simon & Sons, L.L.C, a Delaware limited liability company.

"STOCKHOLDERS AGREEMENT" means the Amended and Restated Stockholder's Agreement, dated as of October 31, 1996, among the Company and all of the holders of the Securities on such date as the same may be modified or amended from time to time.

"SUBSIDIARY" means any corporation at least a majority of the Voting Stock of which is, at the time as of which any determination is being made, owned by the Company either directly or indirectly through one or more Subsidiaries.

"TCW" means TCW Special Credits Fund V -- The Principal Fund, a California limited partnership.

"TCW DIRECTOR" has the meaning assigned to such term in SECTION 3.1(a).

"TCW AFFILIATE" means any investor in or any employee of TCW, TCW Asset Management Company, a California corporation ("TAMCO"), Trust Company of the West, a California trust company ("TRUSTCO") or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint

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venture, limited liability company, association or partnership of which TCW, TAMCO, Trustco or Oaktree, is a shareholder, manager or general partner, as the case may be.

"THRESHOLD AMOUNT" means thirty Percent (30%) of the shares held by WES&S as of the Closing Date (excluding for the purpose of this calculation any shares owned by WES&S to the extent received upon the exercise of warrants or otherwise acquired from parties other than the Company).

"VOTING STOCK" means any shares of stock having general voting power to elect the Board of Directors (whether or not stock of any other class or classes has or might have voting power by reason of the occurrence of any

contingency).

"VOTING TERMINATION EVENT" means the first to occur of (i) an Initial Public Offering, (ii) a Sell-Down Event, (iii) a WES&S Purchase Default, (iv) a WES&S Funding Default, (v) a Financial Default Disagreement, (vi) an OCM Entity Purchase Default, (vii) an OCM Entity Funding Default or (viii) May 2, 2002.

"WES&S" means Logistical Simon, L.L.C., a Delaware limited liability company.

"WES&S DIRECTOR" has the meaning assigned to such term in SECTION 3.1(a).

"WES&S AFFILIATE" means any Simon Entity or any partnership, limited liability company or corporation that directly or indirectly, through one or more intermediaries, has control of, is controlled by or is under common control with (i) any Simon Entity or (ii) any shareholder, partner or member of a Simon Entity or any such shareholder's, partner's or member's spouse, siblings, children, children's spouses, grandchildren or their spouses or any trusts for the benefit of any of the foregoing.

"WES&S FUNDING DEFAULT" means a circumstance whereby (i) an OCM Entity and WES&S have entered into a commitment to purchase the Securities of the Company pursuant to a purchase agreement; (ii) WES&S is in breach of its commitment to purchase such Securities; and (iii) an OCM Entity ultimately completes its purchase under such purchase agreement.

"WES&S PURCHASE DEFAULT" means WES&S is in breach of its purchase obligation under a WES&S Acceptance Notice in connection with certain transfers of the OCM Entity Shares as set forth in the Stockholders Agreement.

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-----  
INTERNATIONAL LOGISTICS LIMITED

as Issuer

and

THE GUARANTORS NAMED HEREIN

and

FIRST TRUST NATIONAL ASSOCIATION

as Trustee

-----  
INDENTURE

Dated as of October 29, 1997

-----  
9 3/4% Senior Notes Due 2007

-----  
-----  
CROSS-REFERENCE TABLE

TIA  
Section  
-----

Indenture  
Section  
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|                                   |                 |
|-----------------------------------|-----------------|
| 310 (a) (1) . . . . .             | 7.10            |
| (a) (2) . . . . .                 | 7.10            |
| (a) (3) . . . . .                 | N.A.            |
| (a) (4) . . . . .                 | N.A.            |
| (b) . . . . .                     | 7.8; 7.10       |
| (c) . . . . .                     | N.A.            |
| 311 (a) . . . . .                 | 7.11            |
| (b) . . . . .                     | 7.11            |
| 312 (a) . . . . .                 | 2.5             |
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| 313 (a) . . . . .                 | 10.3            |
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| (c) . . . . .                     | 10.2            |
| (d) . . . . .                     | 7.6             |
| 314 (a) . . . . .                 | 4.2; 4.10; 10.2 |
| (b) . . . . .                     | N.A.            |
| (c) (1) . . . . .                 | 10.4            |
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| (c) (3) . . . . .                 | N.A.            |
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| (e) . . . . .                     | 10.5            |
| (f) . . . . .                     | 4.10            |
| 315 (a) . . . . .                 | 7.1             |
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| 316 (a) (last sentence) . . . . . | 10.6            |
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| (a) (1) (B) . . . . .             | 6.4             |
| (a) (2) . . . . .                 | N.A.            |
| (b) . . . . .                     | 6.7             |
| 317 (a) (1) . . . . .             | 6.9             |
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Note: This Table of Contents shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE dated as of October 29, 1997, among INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation (the "Company"), the GUARANTORS listed on the signature pages hereto and FIRST TRUST NATIONAL ASSOCIATION, a National banking corporation, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 9 3/4% Senior Notes Due 2007 (the "Securities"):

## ARTICLE 1

### DEFINITIONS AND INCORPORATION BY REFERENCE

#### SECTION 1.1. DEFINITIONS.

"Additional Assets" means (i) any property or assets (other than Indebtedness and Capital Stock) in a Related Business, (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; PROVIDED, HOWEVER, that, any such Restricted Subsidiary described in clause (ii) or (iii) above is primarily engaged in a Related Business.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition,

"control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger or consolidation (each referred to for the purposes of this definition as a "disposition"), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (ii) all or substantially all the assets (other

than Capital Stock of an Unrestricted Subsidiary) of any division or line of business of the Company or any Restricted Subsidiary or (iii) any other assets (other than Capital Stock of an Unrestricted Subsidiary) of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (other than, in the case of (i), (ii) and (iii) above, (x) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary and (y) for purposes of Section 4.6 only, a disposition that constitutes a Restricted Payment permitted by Section 4.4 or a disposition specifically excepted from the definition of Restricted Payment) PROVIDED, HOWEVER, that Asset Disposition shall not include (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration less than or equal to \$1.0 million, (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company as permitted by Section 5.1 and Section 4.6 or (c) the disposition of assets of the Company or any Restricted Subsidiary for aggregate non-cash consideration not in excess of \$20.0 million so long as the pro forma Consolidated Coverage Ratio after giving effect to any such disposition is at least 2.5 to 1.0. The foregoing shall not apply to any Lien granted on the Capital Stock of a Restricted Subsidiary.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Securities, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Credit Agreement" means the credit agreement, dated as of the Issue Date, among the Company, ING (U.S.) Capital Corporation, as agent, and the other financial institutions party thereto, as such agreement, in whole or in part, may be amended, renewed, extended, increased (but only so

long as such increase is permitted under the terms of the Indenture), substituted, refinanced, restructured, replaced (including, without limitation, any successive renewals, extensions, increases, substitutions, refinancings, restructurings, replacements, supplements or other modifications of the foregoing).

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligation" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Change of Control" means the occurrence of any of the following events with respect to the Company:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (i) such person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the then outstanding Voting Stock of the Company; PROVIDED, HOWEVER, that for purposes of this clause (i), the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified

corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the parent corporation;

(ii) during any period of two consecutive years commencing after the Company's initial Public Equity Offering, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of 66 2/3% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or

(iii) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (in each case other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of the Company are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving corporation or a parent corporation that owns all of the capital stock of such corporation that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving corporation or such parent corporation, as the case may be.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days (or, if less than 45 days after the end of such fiscal quarter, ending as of the date the

consolidated financial statements of the Company shall be available) prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; PROVIDED, HOWEVER, that (1) if the Company or any Restricted Subsidiary (x) has Incurred any Indebtedness (other than Indebtedness Incurred for working capital purposes under a Bank Credit Agreement) since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence

of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period or (y) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination, or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such four quarter period), (2) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to the EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (3) if since the beginning of such period the

Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period or (4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period. For purposes of this definition, whenever pro

forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Company or its Restricted Subsidiaries, (i) interest expense attributable to Capital Lease Obligations, (ii) amortization of debt discount and debt issuance costs, (iii) capitalized interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs associated with Hedging Obligations (including amortization of fees), (vii) dividends paid or payable in

respect of any Disqualified Stock of the Company, (viii) cash dividends paid or payable by the Company and all dividends paid or payable by Restricted Subsidiaries, in each case in respect of all Preferred Stock held by Persons other than the Company or a Wholly Owned Subsidiary, (ix) interest incurred in connection with Investments in discontinued operations and (x) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary.

"Consolidated Net Income" means, for any period, the net income of the Company and its consolidated Subsidiaries; PROVIDED, HOWEVER, that there shall not be included in such Consolidated Net Income: (i) any net income of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) with respect to the calculation of EBITDA only, the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income up to the aggregate amount invested by the Company or any Restricted Subsidiary in such Person during such period; (ii) any net income (or loss) of any Person acquired by the Company or a Subsidiary of the Company in a pooling of interests transaction for any period prior to the date of such acquisition; (iii) any net income of any Restricted Subsidiary to the extent that such Restricted Subsidiary is subject to restrictions, directly or indirectly, prohibiting the payment of dividends, the repayment of intercompany debt and the making of distributions by such

Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income up to the aggregate amount invested by

the Company or any Restricted Subsidiary in such Person during such period; (iv) any gain or loss realized upon the sale or other disposition of any assets of the Company or its consolidated Subsidiaries (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person; (v) extraordinary gains or losses; and (vi) the cumulative effect of a change in accounting principles.

"Consolidated Net Worth" means the total of the amounts shown on the balance sheet of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, as of the most recent fiscal quarter of the Company for which financial statements are available, as (i) the par or stated value of all outstanding Capital Stock of the Company plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit and (B) any amounts attributable to Disqualified Stock.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement to which such Person is a party or a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means The Depository Trust Company, its nominees and their respective successors.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (other than as a result of a Change of Control) (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible into or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the Stated Maturity of the Securities; PROVIDED, HOWEVER, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale"



or "change

of control" occurring prior to the Stated Maturity of the Securities shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions described under Section 4.6 and Section 4.8.

"EBITDA" for any period means the sum of Consolidated Net Income plus Consolidated Interest Expense plus the following to the extent deducted in calculating such Consolidated Net Income: (a) all income tax expense of the Company, (b) depreciation expense, (c) amortization expense, and (d) all other non-cash items reducing such Consolidated Net Income (excluding any non-cash item to the extent it represents an accrual of, or reserve for, cash disbursement for any subsequent period) less all non-cash items increasing such Consolidated Net Income (such amount calculated pursuant to this clause (d) not to be less than zero), in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization of, a Subsidiary of the Company shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Subsidiary was included in calculating Consolidated Net Income.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Security" shall have the meaning set forth in Appendix 1.

"Foreign Credit Agreement" means any revolving credit agreement, invoice discounting, overdraft or guarantee facility or other similar arrangement providing for the Incurrence of Indebtedness by any Foreign Subsidiary, and the agreements governing such Indebtedness which may, in whole or in part, be amended, renewed, extended, substituted, refinanced, restructured, replaced (including, without limitation, any successive renewals, extensions, substitutions, refinancing, restructuring, replacement, supplements or other modifications of the foregoing).

"Foreign Subsidiary" means a Restricted Subsidiary that is incorporated in a jurisdiction other than the United States or a State thereof or the District of Columbia and with respect to which more than 80% of any of its sales, earnings or assets (determined on a consolidated basis in accordance with GAAP) are located in, generated from or derived from operations located in territories outside of the United States of America and jurisdictions outside the United States of America.



"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth (i) in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) in statements and pronouncements of the Financial Accounting Standards Board, (iii) in such other statements by such other entity as approved by a significant segment of the accounting profession, and (iv) in the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); PROVIDED, HOWEVER, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" or "Securityholder" means the Person in whose name a Security is registered on the Registrar's books.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for Indebtedness; PROVIDED, HOWEVER, that any Indebtedness of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning. The accretion of principal in a non-interest bearing

or other discount security shall be deemed the Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication), (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all Capital Lease Obligations of such Person and all Attributable Debt in respect of

Sale/Leaseback Transactions entered into by such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property (which purchase price is due more than one year after taking title of such property), all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon, or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends); (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Subsidiary Guaranty (but only to the extent of the amount actually guaranteed); (vii) all obligations of the type referred to in clauses (i) through (vi) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and (viii) to the extent not otherwise included in this definition, Hedging Obligations of such Person. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum

liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date. For purposes of clarification, (i) Indebtedness shall not include undrawn commitments under the Bank Credit Agreement or the Foreign Credit Agreement or any obligation to purchase Capital Stock of LIW pursuant to option agreements, purchase agreements or otherwise or the Company's Capital Stock pursuant to employment agreements and otherwise and (ii) any Guarantee of Indebtedness shall not be deemed to be an Incurrence of Indebtedness to the extent that the Indebtedness so Guaranteed is Incurred by the Company or any Restricted Subsidiary as permitted pursuant to the terms of this Indenture.

"Indenture" means this Indenture as amended or supplemented from time to time by one or more supplemental indentures entered into pursuant to the applicable provisions hereof or otherwise in accordance with the terms hereof.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed

solely to protect the Company or any Restricted Subsidiary against fluctuations in interest rates.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the Person making the advance or loan) or other extensions of credit (including by way of Subsidiary Guaranty or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and Section 4.4, (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; PROVIDED, HOWEVER, that if such designation is made in connection with the acquisition of such Subsidiary or the assets owned by such Subsidiary, the "Investment" in such Subsidiary shall be deemed to be the consideration paid in connection with such acquisition; PROVIDED, FURTHER, HOWEVER, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an

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amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation, and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"Issue Date" means the date of original issuance of the Securities.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or required by law to close. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record shall not be affected.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Moody's" means Moody's Investors Service, Inc.

"Net Available Cash" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise,

but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other noncash form) in each case net of (i) all legal, title and recording tax expenses, brokerage commissions, underwriting discounts or commissions or sales commissions and other reasonable fees and expenses (including, without limitation, fees and expenses of counsel, accountants and investment bankers) related to such Asset Disposition or converting to cash any other proceeds received, and any relocation and severance expenses as a result thereof, and all Federal, state, provincial, foreign and local taxes required to be accrued or paid as a liability under GAAP, as a consequence of such Asset Disposition, (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition or made in order to obtain a necessary consent

to such Asset Disposition or to comply with applicable law, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (iv) appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Disposition. Further, with respect to an Asset Disposition by a Subsidiary which is not a Wholly Owned Subsidiary, Net Available Cash shall be reduced pro rata for the portion of the equity of such Subsidiary which is not owned by the Company.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof. In addition, for purposes of the calculations described in Section 4.4, Net Cash Proceeds shall also mean any cash amounts paid to the Company by members of management of the Company or its Subsidiaries in respect of all promissory notes outstanding on the Issue Date and any amounts reflected on the records of the Company as additional paid in capital or equity contributions made in respect of employment-related stock price guarantees entered into prior to the Issue Date.

"Officer" means the Chairman of the Board, any Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Vice President -- Finance (or any such other officer that performs similar duties), or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers, one of which is the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President (or any

such other officer that performs similar duties).

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the

Trustee.

"Permitted Holders" means (i) William E. Simon & Sons, L.L.C. and its Affiliates, (ii) Oaktree Capital Management, LLC and its Affiliates, including any partnerships, separate accounts, or other entities managed by Oaktree and (iii) Roger E. Payton. For purposes of clarification, The TCW Group, Inc., Logistical Simon, L.L.C., OCM Principal Opportunities Fund, L.P., TCW Special Credits Fund V--The Principal Fund and their respective Affiliates are Permitted Holders.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (i) a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; PROVIDED, HOWEVER, that the primary business of such Restricted Subsidiary is a Related Business; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Company or a Restricted Subsidiary; PROVIDED, HOWEVER, that such Person's primary business is a Related Business; (iii) Temporary Cash Investments; (iv) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; PROVIDED, HOWEVER, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary, including without limitation, loans or advances made to employees in respect of stock purchase or other employee benefit plans; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments and (viii) any Person to the extent such Investment represents the non-cash portion of the consideration received for a disposition of Assets as permitted under Section 4.6 and as described in clause (c) of the definition of Asset Disposition.

"Permitted Liens" means, with respect to any Person, (a) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar

legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business; (b) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings; (c) Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review or time for appeal has not yet expired; (d) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (e) Liens in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; PROVIDED, HOWEVER, that such letters of credit do not constitute Indebtedness; (f) survey exceptions, encumbrances, easements or reservations of, or rights of others for licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (g) Liens securing an Interest Rate Agreement so long as the related Indebtedness is, and is permitted to be under this Indenture, secured by a Lien on the same property securing the Interest Rate Agreement; and (h) leases and subleases of real property which do not interfere with the ordinary conduct of the business of such Person, and which are made on customary and usual terms applicable to similar properties.

"Person" means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes

(however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.



"principal" of a Security means the principal of the Security plus the premium, if any, payable on the Security which is due or overdue or is to become due at the relevant time.

"Public Equity Offering" means an underwritten primary public offering of common stock of the Company pursuant to an effective registration statement under the Securities Act.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness.

"Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary existing on the Issue Date or Incurred in compliance with this Indenture, including Indebtedness that Refinances Refinancing Indebtedness; PROVIDED, HOWEVER, that (i) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (ii) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced and (iii) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; PROVIDED, FURTHER, HOWEVER, that Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that Refinances Indebtedness of the Company or (y) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Business" means any business related, ancillary or complementary to the businesses of the Company on the Issue Date.

"Restricted Payment" with respect to any Person

means (i) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person), other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation), (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary), including the

exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock), (iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying of a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) the making of any Investment in any Person (other than a Permitted Investment).

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary leases it from such Person.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company secured by a Lien. "Secured Indebtedness" of any Subsidiary Guarantor has a correlative meaning.

"Securities" has the meaning set forth in the second paragraph of this Indenture.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the

Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Securities pursuant to a written agreement to that effect. "Subordinated Obligation" of any Subsidiary Guarantor has a correlative meaning.

"Subsidiary" means, in respect of any Person, any corporation, association, limited liability company, limited or general partnership or other business entity (x) of which more than 50% of the total voting power of shares



of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person, or (y) that is consolidated for purposes of the Company's consolidated financial statements.

"Subsidiary Guarantor" means each Restricted Subsidiary designated as such on the signature pages of the Indenture and any other Restricted Subsidiary that has issued a Subsidiary Guaranty.

"Subsidiary Guaranty" means the Guarantee by a Subsidiary Guarantor of the Company's obligations with respect to the Securities.

"S&P" means Standard and Poor's Ratings Service.

"Temporary Cash Investments" means any of the following: (i) any investment in direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof, (ii) investments in time deposit accounts, certificates

of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of \$10.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with a bank meeting the qualifications described in clause (ii) above, (iv) investments in commercial paper, maturing not more than 180 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P and (v) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 177aaa-177bbbb) as in effect on the date of this Indenture, except as provided in Section 9.3.

"Trustee" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Uniform Commercial Code" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors

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in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Company or any other Restricted Subsidiary of the Company; PROVIDED, HOWEVER, that either (A) the Subsidiary to be so designated has total assets of \$1,000 or less or (B) if such Subsidiary has assets greater than \$1,000, such designation would be permitted under Section 4.4. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; PROVIDED, HOWEVER, that immediately after giving effect to such designation (x) if such Unrestricted Subsidiary at such time has Indebtedness, the Company could Incur \$1.00 of additional Indebtedness under Section 4.3(a) and (y) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced by the Company to the Trustee by promptly filing with the Trustee a copy of the board resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository

receipt.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in

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the election of directors, managers or trustees thereof.

"Wholly Owned Subsidiary" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares and shares held by other Persons to the extent such shares are required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) is owned by the Company or one or more Wholly Owned Subsidiaries.

#### SECTION 1.2. OTHER DEFINITIONS.

| Term<br>----                 | Defined In Section<br>----- |
|------------------------------|-----------------------------|
| "Affiliate Transaction"      | 4.7                         |
| "Bankruptcy Law"             | 6.1                         |
| "covenant defeasance option" | 8.1(b)                      |
| "Custodian"                  | 6.1                         |
| "Event of Default"           | 6.1                         |
| "Global Securities"          | 2.1(b)                      |
| "legal defeasance option"    | 8.1(b)                      |
| "Legal Holiday"              | 10.8                        |
| "Notice of Default"          | 6.1                         |
| "Offer"                      | 4.6(b)                      |
| "Offer Amount"               | 4.6(d)                      |
| "Offer Period"               | 4.6(d)                      |
| "Participants"               | 2.6                         |
| "Paying Agent"               | 2.3                         |
| "Purchase Date"              | 4.6(c)                      |
| "Receipt Date"               | 4.6(a)                      |
| "Registrar"                  | 2.3                         |
| "Securities Register"        | 2.3                         |
| "Successor Company"          | 5.1                         |

SECTION 1.3. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT. This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

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"obligor" on the Securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.4. RULES OF CONSTRUCTION. Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (3) "or" is not exclusive;
- (4) "including" means including without limitation;
- (5) words in the singular include the plural and words in the plural include the singular;
- (6) the principal amount of any non-interest-bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;
- (7) all references to \$, US\$, dollars or United States dollars shall refer to the lawful currency of the United States; and
- (8) "herein", "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

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## ARTICLE 2

### THE SECURITIES

SECTION 2.1. FORM AND DATING. Provisions relating to the Initial Securities, the Private Exchange Securities and the Exchange Securities are set forth in Appendix 1, the Rule 144A/ Regulation S Appendix, attached hereto (the "Appendix") which is hereby incorporated in and expressly made part of this Indenture. The Initial Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A to the Appendix which is hereby incorporated in and expressly made a part of this Indenture. The Exchange Securities, the Private Exchange Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit B, which is hereby incorporated in and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements requirement by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement in a form acceptable to the Company). Each Security shall be dated the date of its authentication. The terms of the Securities set forth in the Appendix, Exhibit A and Exhibit B are part of the terms of this Indenture.

SECTION 2.2. EXECUTION AND AUTHENTICATION. Two Officers of the Company shall sign the Securities for the Company by manual or facsimile signature. If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless. A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture. The Trustee shall authenticate and make available for delivery Securities for original issue in an aggregate principal amount of \$110,000,000, upon a written order of the Company signed by an Officer of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed that amount except as provided in Section 2.6. The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Securities, upon the consent of the Company to such appointment. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this

Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.3. REGISTRAR AND PAYING AGENT. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar,

acting on behalf of and as agent for the Company, shall keep a register (the "Securities Register") of the Securities and of their transfer and exchange. The Company may have one or more co-registrars and one or more additional paying agents.

The term "Paying Agent" includes any additional paying agent. The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company may act as Paying Agent, Registrar, co-Registrar or transfer agent.

The Company initially appoints the Trustee as Registrar and Paying Agent in connection with the Securities.

SECTION 2.4. PAYING AGENT TO HOLD MONEY IN TRUST. On or prior to each due date of the principal and interest on any Security, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal and interest when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities and shall notify the Trustee of any default by the Company in making any such payment. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.5. SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders; PROVIDED that as long as the Trustee is the Registrar, no such list need be furnished.

SECTION 2.6. REPLACEMENT SECURITIES. If a mutilated Security is surrendered to the Trustee or Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee and the Company. Such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying

Agent, the Registrar and any co-registrar from any loss which any of them may suffer if a security is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Security.

Every replacement Security issued pursuant to the terms of this Section is an obligation of the Company under this Indenture.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 2.7. OUTSTANDING SECURITIES. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. Subject to the provisions of Section 11.6, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the security.

If a Security is replaced pursuant to Section 2.6, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

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If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date or, pursuant to Section 8.1(a), within 91 days prior thereto, money sufficient to pay all principal and interest payable on that redemption or maturity date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, then on and after such date such Securities (or portions thereof) cease to be outstanding and on and after such redemption or maturity date interest on them ceases to accrue.

SECTION 2.8. TEMPORARY SECURITIES. Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities and deliver them in exchange for temporary securities.

SECTION 2.9. CANCELLATION. The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancellation and destroy such cancelled Securities and provide a destruction certificate to the Company in respect of such cancelled Securities. The Trustee shall from time to time provide the Company a list of all Securities that have been canceled as requested by the Company. The Company may not issue new Securities to replace Securities it has redeemed, paid or delivered to the



Trustee for cancellation.

SECTION 2.10. DEFAULTED INTEREST. If the Company defaults in a payment of interest on the Securities, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company may pay the defaulted interest to the persons who are Securityholders on a subsequent special record date. The Company shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail to each Securityholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.11. CUSIP NUMBERS. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in

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use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

### ARTICLE 3

#### REDEMPTION

SECTION 3.1. NOTICES TO TRUSTEE. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, they shall notify the Trustee in writing of the redemption date, the principal amount of Securities to be redeemed and the paragraph of the Securities pursuant to which the redemption will occur. The Company shall give each notice to the Trustee provided for in this Section not less than 30 not more than 60 days before the redemption date unless the Trustee consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate from the Company to the effect that such redemption will comply with the provisions herein.

SECTION 3.2. SELECTION OF SECURITIES TO BE REDEEMED. If fewer than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed pro rata or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee considers fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. The Trustee shall make the selection from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than \$1,000. Securities and portions of them the Trustee selects shall be in amounts of \$1,000 or a whole multiple of



\$1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed. In the event the Company is required to make an offer to repurchase Securities pursuant to Sections 4.6 or 4.8 and the amount available for such offer is not evenly divisible by \$1,000, the Trustee shall promptly refund to the Company any remaining funds, which in no

event will exceed \$1,000.

SECTION 3.3. NOTICE OF REDEMPTION. At least 30 days but not more than 60 days before a date for redemption of Securities, the Company shall mail a notice of redemption by first-class mail to the registered address appearing in the Security Register of each Holder of Securities to be redeemed. The notice shall identify the Securities (including CUSIP numbers, if any) to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price;
- (3) the name and address of the Paying Agent;
- (4) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (5) if fewer than all the outstanding Securities are to be redeemed, the identification and principal amounts of the particular Securities to be redeemed;
- (6) that, unless the Company defaults in making such redemption payment, interest on Securities (or portion thereof) called for redemption ceases to accrue on and after the redemption date;
- (7) the paragraph of the Securities pursuant to which the Securities called for redemption are being redeemed;
- (8) the CUSIP number, if any, printed on the Securities being redeemed; and
- (9) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by this Section.

SECTION 3.4. EFFECT OF NOTICE OF REDEMPTION. Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the

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redemption price stated in the notice. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price stated in the notice, plus accrued interest to the redemption date. Such notice if mailed in the manner herein provided shall be conclusively presumed to have been given, whether or not the Holder receives such notice. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.5. DEPOSIT OF REDEMPTION PRICE. Prior to 11:00 a.m. (New York City time) on the redemption date, the Company shall deposit with the Trustee or Paying Agent (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest (if any) on all Securities or portions thereof to be redeemed on that date other than Securities or portions of Securities called for redemption which have been delivered by the Company to the Trustee for cancellation.

SECTION 3.6. SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

## ARTICLE 4

### COVENANTS

SECTION 4.1. PAYMENT OF SECURITIES. The Company shall promptly pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due. The Company shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 4.2. SEC REPORTS. The Company shall file with the SEC and provide to the Trustee and Securityholders, as their names appear in the Security Register, within 15 days after it files them with the SEC, copies of the annual reports and the information, documents and other reports which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC (unless the SEC will not accept such a filing) and provide the Trustee and Securityholders with the annual reports and the information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and other reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections. The Company also shall comply with the other provisions of TIA Section 314(a).

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 4.3. LIMITATION ON INDEBTEDNESS. (a) (i) The Company shall not Incur, directly or indirectly, any Indebtedness unless, on the date of such Incurrence, the Consolidated Coverage Ratio exceeds 2.25 to 1.0 and (ii) none of the Restricted Subsidiaries of the Company shall Incur, directly or indirectly, any Indebtedness unless, on the date of such Incurrence, the Consolidated Coverage Ratio exceeds 2.50 to 1.0.

(b) Notwithstanding Section 4.3(a), the Company and the Restricted Subsidiaries may Incur any or all of the following Indebtedness:

(i) Indebtedness (including reimbursement obligations in respect of letters of credit outstanding under the Bank Credit Agreement that are Indebtedness) Incurred pursuant to any Bank Credit Agreement or any other credit or loan agreement in an aggregate principal amount which, when taken together (without duplication) with the principal amount of all

other Indebtedness Incurred pursuant to this clause (i) and then outstanding, does not exceed \$100.0 million;

(ii) Indebtedness of the Company or any Restrict Subsidiary owed to and held by the Company or any Restricted Subsidiary; PROVIDED, HOWEVER,

that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to another Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the Company or such Restricted Subsidiary;

(iii) the Securities, the Subsidiary Guaranties or any Indebtedness (including the Exchange Securities) the proceeds of which are used to Refinance the Securities in full;

(iv) Indebtedness (including reimbursement obligations in respect of letters of credit or guarantees outstanding under Foreign Credit Agreements that are Indebtedness) Incurred pursuant to any Foreign Credit Agreement; PROVIDED, that the aggregate principal amount of all such Indebtedness outstanding at any time under all such Foreign Credit Agreements shall not exceed \$30.0 million;

(v) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (i), (ii), (iii) or (iv) of this Section 4.3(b));

(vi) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to paragraph (a) of this Section 4.3 or pursuant to clause (iii) or (v) of this Section 4.3 or this Section 4.3(b)(vi);

(vii) Indebtedness in respect of customs duties guarantees, equipment leases, performance bonds, bankers' acceptances, letters of credit and surety or appeal bonds entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(viii) Hedging Obligations consisting of Interest Rate Agreements directly related to Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary hereunder;

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(ix) Indebtedness of the Company or any Restricted Subsidiary consisting of obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets by the Company or any Restricted Subsidiary permitted hereunder;

(x) Indebtedness incurred by the Company or any Restricted Subsidiary, constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including, without limitation, letters of credit in respect of workers' compensation claims, self-insurance or similar matters, or other Indebtedness with respect to reimbursement obligations regarding workers' compensation claims; provided, however, that upon the drawing of such letters of credit or the Incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or Incurrence; and

(xi) Indebtedness in an aggregate principal amount which, together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (i) through (x) above or Section 4.3(a)), does not exceed \$15.0 million at any one time outstanding.

(c) Notwithstanding the foregoing, neither the Company nor any Restricted Subsidiary shall Incur any Indebtedness pursuant to the foregoing Section 4.3(b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations unless such Indebtedness shall be subordinated to the Securities or the Subsidiary Guaranties, as applicable, to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this Section 4.3, (i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the above clauses and (ii) an item of Indebtedness may be divided and classified in more than one of the types of Indebtedness described above.

SECTION 4.4. LIMITATION ON RESTRICTED PAYMENTS. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, make a Restricted Payment

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if at the time the Company or such Restricted Subsidiary makes, and after giving effect to, the proposed Restricted Payment: (i) a Default shall have occurred and be continuing (or would result therefrom); (ii) the Company or such Restricted Subsidiary, as applicable, is not able to Incur an additional \$1.00 of Indebtedness under Section 4.3(a); or (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Securities are originally issued to the end of the most recently ended fiscal quarter for which financial statements are available at the time of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit);

(B) the aggregate Net Cash Proceeds received by the Company from capital contributions or the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Company);

(C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by

a Subsidiary of the Company) subsequent to the Issue Date, of any Indebtedness of the Company or a Restricted Subsidiary for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair market value of any other property, distributed by the Company upon such conversion or exchange), whether pursuant to the terms of such Indebtedness or pursuant to an agreement with a creditor to engage in an equity for debt exchange; and

(D) an amount equal to the sum of (i) the net reduction in Investments in Unrestricted Subsidiaries resulting from the receipt of dividends, repayments of loans or advances or other transfers of assets or proceeds from the disposition of Capital Stock or other distributions or payments, in each case to the Company or any Restricted Subsidiary from, or with respect to interests in Unrestricted Subsidiaries, and (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net

assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; PROVIDED, HOWEVER, that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary subsequent to the Issue Date.

(b) The provisions of Section 4.4(a) shall not prohibit:

(i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than (A) Disqualified Stock or (B) Capital Stock issued or sold to a Subsidiary of the Company) or out of the proceeds of a substantially concurrent capital contribution to the Company; PROVIDED, HOWEVER, that (x) such purchase, capital contribution or redemption shall be excluded in the calculation of the amount of Restricted Payments and (y) the Net Cash Proceeds from such sale of Capital Stock or capital contribution shall be excluded from Section 4.4(a)(iii)(B);

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made by exchange for, or out of the net proceeds of the substantially concurrent sale of, Indebtedness of the Company which is permitted to be Incurred pursuant to Section 4.3; PROVIDED, HOWEVER, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with Section 4.4(a); PROVIDED, HOWEVER, that such dividend will be included in the calculation of the amount of Restricted Payments;

(iv) the repurchase of Capital Stock of the Company from directors, officers or employees of the Company pursuant to the terms of an employee benefit plan or employment or other agreement; provided that the aggregate amount of all such repurchases shall not exceed \$3.0 million in any fiscal year, and \$10.0 million in total;

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(v) up to an aggregate of \$10.0 million of Restricted Payments by the Company, so long as after giving effect to any such Restricted Payment on a pro forma basis the Company could incur an additional \$1.00 of Indebtedness under Section 4.3(a)(i); and

(vi) Investments in Unrestricted Subsidiaries or joint ventures in an amount not to exceed \$10.0 million at any time outstanding.

SECTION 4.5. LIMITATION ON RESTRICTIONS ON DISTRIBUTIONS FROM RESTRICTED SUBSIDIARIES. The Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary (a) to pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company, (b) to make any loans or advances to the Company or (c) to transfer any of its property or assets to the Company, except:

(i) any encumbrance or restriction pursuant to any Bank Credit Agreement, any Foreign Credit Agreement or any other agreement in effect at or entered into on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting a Refinancing Indebtedness Incurred pursuant to an agreement referred to in clause (i) or (ii) of this Section 4.5 or this clause (iii) or contained in any amendment to an agreement referred to in clause (i) or (ii) of this Section 4.5 or this clause (iii); PROVIDED, HOWEVER, that the encumbrances and restrictions with respect to any such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less



favorable to the Securityholders than encumbrances and restrictions with respect to such Restricted Subsidiary contained in such agreements;

(iv) any such encumbrance or restriction (A) consisting of customary non-assignment provisions in leases to the extent such provisions restrict the subletting, assignment or transfer of the lease or the property leased thereunder or in purchase money financing or (B) by virtue of any Indebtedness, transfer, option or right with respect to, or any Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by this Indenture;

(v) in the case of Section 4.5(c), restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreements or mortgages;

(vi) encumbrances or restrictions imposed by operation of any applicable law, rule, regulation or order;

(vii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition; and

(viii) any restriction imposed during an event of default under an agreement governing Indebtedness of any Foreign Subsidiary so long as such Indebtedness is permitted by Section 4.3.

#### SECTION 4.6. LIMITATION ON SALES OF ASSETS AND SUBSIDIARY STOCK.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition, and at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents and (ii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the

Company (or such Restricted Subsidiary, as the case may be) (A) FIRST, to either (i) prepay, repay, redeem or purchase (and permanently reduce the commitments under) Indebtedness under any Bank Credit Agreement or any Foreign Credit Agreement or that is otherwise secured by its assets subject to such Asset Disposition within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash (the "Receipt Date") or (ii) to the



extent the Company elects, to acquire Additional Assets, PROVIDED, HOWEVER, that the Company shall be required to commit such Net Available Cash to the acquisition of Additional Assets within one year from the later of the date of such Asset Disposition or the Receipt Date and shall be required to consummate the acquisition of such Additional Assets within 18 months from the Receipt Date; (B) SECOND, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), to make an offer pursuant to paragraph (b) below to the Holders to purchase Securities pursuant to and subject to the conditions contained in this Indenture; and (C) THIRD, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B) to any other application or use not prohibited by this Indenture. Notwithstanding the foregoing provisions of this paragraph, the Company and the Restricted Subsidiaries shall not be required to apply the Net Available Cash in accordance with this paragraph except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this paragraph exceeds \$5.0 million (at which time, the entire unutilized Net Available Cash, and not just the amount in excess of \$5.0 million, shall be applied pursuant to this paragraph). Pending application of Net Available Cash pursuant to this Section 4.6, such Net Available Cash shall be invested in Permitted Investments.

For the purposes of this Section 4.6, the following are deemed to be cash or cash equivalents: (x) the express assumption of Indebtedness of the Company or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition, and (y) securities received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash within 90 days of closing the transaction.

(b) In the event of an Asset Disposition that requires the purchase of Securities pursuant to Section 4.6(a)(ii)(B), the Company will be required to purchase Securities tendered pursuant to an offer by the Company for the Securities (the "Offer") at a purchase price of 100% of their

principal amount (without premium) plus accrued but unpaid interest in accordance with the procedures (including prorating in the event of oversubscription) set forth in Section 4.6(c). If the aggregate purchase price of Securities tendered pursuant to the Offer is less than the Net Available Cash allotted to the purchase of the Securities, the Company will apply the remaining Net Available Cash in accordance with Section 4.6(a)(ii)(C) above. The Company shall not be required to make an Offer to purchase Securities pursuant to this Section 4.6 if the Net Available Cash available therefor after application of the proceeds as provided in Sections 4.6(a)(ii)(A) and 4.6(a)(ii)(B) is less than \$5.0 million (which lesser amount shall be carried forward for purposes of determining whether such an Offer is required with respect to any subsequent Asset Disposition).

(c) Promptly, and in any event within 30 days after the Company becomes obligated to make an Offer, the Company shall be obligated to deliver to the Trustee and send, by first-class mail to each Holder, at the address

appearing in the Security Register, a written notice stating that the Holder may elect to have his Securities purchased by the Company either in whole or in part (subject to prorationing as hereinafter described in the event the Offer is oversubscribed) in integral multiples of \$1,000 of principal amount, at the applicable purchase price. The notice, which shall govern the terms of the Offer, shall include such disclosures as are required by law and shall specify (i) that the Offer is being made pursuant to this Section 4.6; (ii) the purchase price (including the amount of accrued interest, if any) for each Security and the purchase date not less than 30 days nor more than 60 days after the date of such notice (the "Purchase Date"); (iii) that any Security not tendered or accepted for payment will continue to accrue interest in accordance with the terms thereof; (iv) that, unless the Company defaults on making the payment, any Security accepted for payment pursuant to the Offer shall cease to accrue interest on and after the Purchase Date; (v) that Securityholders electing to have Securities purchased pursuant to an Offer will be required to surrender their Securities to the Paying Agent at the address specified in the notice at least three business days prior to the Purchase Date and must complete any form letter of transmittal proposed by the Company and acceptable to the Trustee and the Paying Agent; (vi) that Securityholders will be entitled to withdraw their election if the Paying Agent receives, not later than one business day prior to the Purchase Date, a tested telex, facsimile transmission or letter setting forth the name of the Securityholder, the principal amount of Securities the

Securityholder delivered for purchase, the Security certificate number (if any) and a statement that such Security holder is withdrawing its election to have such Securities purchased; (vii) that if Securities in a principal amount in excess of the aggregate principal amount which the Company has offered to purchase are tendered pursuant to the Offer, the Company shall purchase Securities on a PRO RATA basis among the Securities tendered (with such adjustments as may be deemed appropriate by the Company so that only Securities in denominations of \$1,000 or integral multiples of \$1,000 shall be acquired); (viii) that Securityholders whose Securities are purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered; and (ix) the instructions that Security holders must follow in order to tender their Securities.

(d) Not later than the date upon which written notice of an Offer is delivered to the Trustee as provided below, the Company shall deliver to the Trustee an Officers' Certificate as to (i) the amount of the Offer (the "Offer Amount"), (ii) the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and (iii) the compliance of such allocation with the provisions of Section 4.6(a). Upon the expiration of the period for which the Offer remains open (the "Offer Period"), the Company shall deliver to the Trustee for cancellation the Securities or portions thereof which have been properly tendered to and are to be accepted by the Company. Not later than 11:00 a.m. (New York City time) on the Purchase Date, the Company shall irrevocably deposit with the Trustee or with a paying agent (or, if the Company is acting as Paying Agent, segregate and hold in trust) an amount in cash sufficient to pay the Offer Amount for all Securities properly tendered to and accepted by the Company. The Trustee shall, on the Purchase Date, mail or

deliver payment to each tendering Holder in the amount of the purchase price.

(e) Holders electing to have a Security purchased will be required to surrender the Security, together with all necessary endorsements and other appropriate materials duly completed, to the Company at the address specified in the notice at least three Business Days prior to the Purchase Date. Holders will be entitled to withdraw their election in whole or in part if the Trustee or the Company receives not later than one Business Day prior to the Purchase Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security (which shall be \$1,000 or an integral multiple thereof) which was delivered for purchase by the Holder, the aggregate principal amount of such Security (if

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any) that remains subject to the original notice of the Offer and that has been or will be delivered for purchase by the Company and a statement that such Holder is withdrawing his election to have such Security purchased. If at the expiration of the Offer Period the aggregate principal amount of Securities surrendered by Holders exceeds the Offer Amount, the Company shall select the Securities to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only securities in denominations of \$1,000, or integral multiples thereof, shall be purchased). Holders whose Securities are purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered.

(f) A Security shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(g) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section 4.6. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 4.6, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.6 by virtue thereof.

SECTION 4.7. LIMITATION ON TRANSACTIONS WITH AFFILIATES. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company other than the Company or a Restricted Subsidiary (an "Affiliate Transaction") unless the terms thereof (1) are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of such transaction in a comparable transaction in arm's-length dealings with a Person who is not such an Affiliate, (2) if such Affiliate Transaction involves an amount in excess of \$2.0 million, (i) are set forth in writing and (ii) have been approved by a majority of the members of the Board of Directors having no material personal financial stake in such Affiliate Transaction, and (3) if such Affiliate Transaction involves an amount in excess of \$7.5 million, have been determined by a nationally recognized investment banking firm to be fair, from a financial

to the Company or its Restricted Subsidiary, as the case may be.

(b) The foregoing provisions of Section 4.7(a) shall not prohibit (i) any Permitted Investment or Restricted Payment permitted to be made pursuant to Section 4.4, or any payment or transaction specifically excepted from the definition of Restricted Payment, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, collective bargaining arrangements, employee benefit plans, health and life insurance plans, deferred compensation plans, directors' and officers' indemnification agreements, retirement or savings plans, stock options and stock ownership plans or any other similar arrangement heretofore or hereafter entered into in the ordinary course of business and approved by the Board of Directors of the Company or any Restricted Subsidiary, (iii) the grant of stock options or similar rights to employees and directors pursuant to plans approved by the Board of Directors or the board of directors of the relevant Restricted Subsidiary (iv) loans or advances to officers, directors or employees heretofore or hereafter entered into in the ordinary course of business or pursuant to compensation plans or employment agreements approved by the board of directors of the Company or any Restricted Subsidiary, (v) the payment of reasonable fees to directors of the Company and its Restricted Subsidiaries who are not employees of the Company or its Restricted Subsidiaries, (vi) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (vii) the purchase of or the payment of Indebtedness of or monies owed by the Company or any of its Restricted Subsidiaries for goods or materials purchased, or services received, in the ordinary course of business, (viii) management agreements between the Company or any of its Restricted Subsidiaries and one or more Permitted Holders, or any of their respective Affiliates providing for management fees not to exceed \$350,000 per year to WESS or any of its Affiliates and \$350,000 per year to Oaktree or any of its Affiliates; (ix) transaction fees to WESS, Oaktree, or any of their respective Affiliates for services provided in connection with the acquisition of a majority of the outstanding ordinary shares of LEP International Worldwide Limited, the Bank Credit Agreement and the Offering in an amount not to exceed \$2.5 million in the aggregate and (x) the performance of the agreement between WESS, W.E. Myers & Co. and William E. Myers, Jr. as in effect on the Issue Date.

SECTION 4.8. CHANGE OF CONTROL. (a) Upon a the occurrence of Change of Control, each Holder shall have the right to require that the Company repurchase such Holder's

Securities at a purchase price in cash equal to 101% of the principal amount

thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date), in accordance with the terms contemplated in Section 4.8(b).

(b) Within 30 days following any Change of Control, unless notice of redemption of the Securities has been given pursuant to paragraph 5 of the Securities, the Company shall mail a notice to each Holder with a copy to the Trustee stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by the Company, consistent with this Section, that a Holder must follow in order to have its Securities repurchased.

(c) Holders electing to have a Security purchased will be required to surrender the Security, together with all necessary endorsements and other appropriate materials duly completed, to the Company at the address specified in the notice at least three Business Days prior to the purchase date. Holders will be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the purchase date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered for purchase by the Holder as to which such notice of withdrawal is being submitted and a statement that such Holder is withdrawing his election to have such Security purchased.

(d) On the purchase date, all Securities purchased by the Company under this Section shall be delivered to the

Trustee for cancellation, and the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(e) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to

have breached its obligations under this Section by virtue thereof.

(f) Notwithstanding the occurrence of a Change of Control, the Company shall not be obligated to repurchase the Securities or otherwise comply with this Section if the Company has irrevocably elected to redeem all the Securities in accordance with Article Three; PROVIDED that the Company does not default in its redemption obligations pursuant to such election.

SECTION 4.9. COMPLIANCE CERTIFICATE. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate, one of the signers of which shall be the principal executive, financial or accounting officer of the Company, stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during the previous year. If they do, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA Section 314(a) (4).

SECTION 4.10. FURTHER INSTRUMENTS AND ACTS. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 4.11. LIMITATION ON LIENS. The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien on any of its property or assets, now owned or hereafter acquired, securing any obligation unless concurrently with the creation of such Lien effective provision is made to secure the Securities and the Subsidiary Guaranties equally and ratably with such

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obligation for so long as such obligation is so secured; PROVIDED, that, if such obligation is a Subordinated Obligation, the Lien securing such obligation shall be subordinated and junior to the Lien securing the Securities and the Subsidiary Guaranties with the same or lesser relative priority as such Subordinated Obligation shall have been with respect to the Securities and the Subsidiary Guaranties. The preceding restriction shall not require the Company or any Restricted Subsidiary to secure the Securities or the Subsidiary Guaranties if the Lien consists of the following:

(a) Liens on accounts receivable of the Company and its Restricted Subsidiaries to secure Indebtedness permitted to be incurred pursuant to paragraph (a) or clause (vii) or (x) of paragraph (b) of Section 4.3;

(b) Liens created by the Indenture, Liens under any Bank Credit Agreement, Liens under any Foreign Credit Agreement and Liens existing as of the Issue Date;

(c) Permitted Liens;



(d) Liens to secure Indebtedness issued by the Company or a Restricted Subsidiary for the purpose of financing all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business after the Issue Date; PROVIDED, HOWEVER, that (a) the aggregate principal amount (or accreted value in the case of Indebtedness issued at a discount) of Indebtedness so issued shall not exceed the lesser of the cost or fair market value, as determined in good faith by the Board of Directors of the Company, of the assets or property so acquired or constructed, (b) the Indebtedness secured by such Liens shall have been permitted to be Incurred under Section 4.3 and (c) such Liens shall not encumber any other assets or property of the Company or any of its Restricted Subsidiaries other than such assets or property or any improvement on such assets or property and shall attach to such assets or property within 90 days of the construction or acquisition of such assets or property;

(e) Liens on the assets or property of a Restricted Subsidiary existing at the time such Restricted Subsidiary becomes a Restricted Subsidiary and not issued as a result of (or in connection with or in anticipation of) such Restricted Subsidiary becoming a Restricted Subsidiary; PROVIDED, HOWEVER, that such Liens do not extend to or

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cover any other property or assets of the Company or any of its other Restricted Subsidiaries;

(f) Liens securing Capital Lease Obligations Incurred in accordance with Section 4.3;

(g) Liens with respect to Sale/Leaseback Transactions or other Indebtedness permitted by Section 4.3(b)(xi);

(h) Liens securing Indebtedness issued to Refinance Indebtedness which has been secured by a Lien permitted under this Indenture and is permitted to be Refinanced under this Indenture; PROVIDED, HOWEVER, that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries not securing the Indebtedness so Refinanced; or

(i) Liens on assets of the Company or any of its Restricted Subsidiaries, securing Indebtedness in an aggregate principal amount not to exceed \$10.0 million.

SECTION 4.12. LIMITATION ON SALE/LEASEBACK TRANSACTIONS. The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless (i) the Company or such Restricted Subsidiary would be (A) in compliance with Section 4.3 immediately after giving effect to such Sale/Leaseback Transaction and (B) entitled to create a Lien on such property securing the Attributable Debt with respect to such Sale/Leaseback Transaction without securing the Securities pursuant to Section 4.11, (ii) the net proceeds received by the Company or any

Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the fair market value (as determined by the Board of Directors of the Company) of such property and (iii) the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with Section 4.6.

SECTION 4.13. LIMITATION ON SALE OR ISSUANCE OF CAPITAL STOCK OF RESTRICTED SUBSIDIARIES. The Company shall not sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary, and shall not permit any Restricted Subsidiary, directly or indirectly, to issue or sell or otherwise dispose of any shares of its Capital Stock to any Person (other than to the Company or a Wholly Owned Subsidiary) or permit any Person (other than the Company or a Wholly Owned Subsidiary) to own any Capital Stock of a Restricted Subsidiary,

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if in either case as a result thereof such Restricted Subsidiary would no longer be a Restricted Subsidiary; PROVIDED, HOWEVER, that this provision shall not prohibit (x) the Company or any Restricted Subsidiary from selling, leasing or otherwise disposing of all of the Capital Stock of any Restricted Subsidiary or (y) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with this Indenture. The foregoing shall not apply to any Lien granted on the Capital Stock of a Restricted Subsidiary.

SECTION 4.14. PAYMENT OF TAXES AND OTHER CLAIMS. The Company shall, and shall cause each of its Restricted Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon its or its Restricted Subsidiaries' income, profits or property; PROVIDED, HOWEVER, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate negotiations or proceedings and for which disputed amounts adequate reserves have been made in accordance with GAAP.

SECTION 4.15. MAINTENANCE OF OFFICE OR AGENCY. The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office or agency of the Trustee, Registrar or co-Registrar), where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee's office in New York City as set forth in Section 11.2.



The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the Trustee's office in New York City as set forth in Section 11.2 as an agency of the Company in accordance with Section 2.3.

SECTION 4.16. CORPORATE EXISTENCE. Subject to Article 5 and Section 4.6, the Company shall do or cause to be

done, at its own cost and expense, all things necessary to, and will cause each of its Restricted Subsidiaries to, preserve and keep in full force and effect the corporate or partnership existence and rights (charter and statutory), licenses and/or franchises of the Company and each of its Restricted Subsidiaries; PROVIDED, HOWEVER, that the Company or any of its Restricted Subsidiaries shall not be required to preserve any such rights, licenses or franchises if the Board of Directors shall reasonably determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and the Restricted Subsidiaries, taken as a whole.

SECTION 4.17. FUTURE SUBSIDIARY GUARANTORS. The Company shall (a) cause each Restricted Subsidiary that is organized and existing under the laws of any State of the United States or the District of Columbia and that at any time becomes an obligor or guarantor with respect to any obligations under one or more Bank Credit Agreements to execute and deliver to the Trustee a supplemental indenture reasonably satisfactory to the Trustee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on the terms set forth in this Indenture and (b) deliver to the Trustee an Opinion of Counsel stating that such supplemental indenture has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Restricted Subsidiary. Each Subsidiary Guaranty will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering such Subsidiary Guaranty voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. After the execution and delivery of such supplemental indenture, such Restricted Subsidiary shall be a Subsidiary Guarantor for all purposes of this Indenture.

## ARTICLE 5

## SUCCESSOR COMPANY

SECTION 5.1. MERGER, CONSOLIDATION AND SALE OF ASSETS. The Company shall not, and shall not cause or permit any Subsidiary Guarantor to, and no Subsidiary Guarantor (other than any Subsidiary Guarantor whose Subsidiary Guaranty is to be released in accordance with the terms of the Subsidiary Guaranty and the Indebtedness in connection with Section 4.6) shall consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, its assets substantially as an entirety to, any Person (other than, in the case of a Subsidiary Guarantor, to the Company or any other Subsidiary Guarantor), unless:

(i) the resulting, surviving or transferee Person (the "Successor Company") shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company or, in the case of a Subsidiary Guarantor, the Company or a Subsidiary Guarantor) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture or of a Subsidiary Guarantor under the applicable Subsidiary Guaranty, as applicable;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of such Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the Successor Company will be able to Incur an additional \$1.00 of Indebtedness pursuant to Section 4.3(a)(i) in the case of the Company or Section 4.3(a)(ii) in the case of a Subsidiary Guarantor;

(iv) immediately after giving effect to such transaction, the Successor Company shall have Consolidated Net Worth in an amount that is not less than the Consolidated Net Worth of the Company or such Subsidiary Guarantor, as applicable, prior to such transaction minus

any costs incurred in connection with such transaction; and

(v) the Company or such Subsidiary Guarantor, as applicable, shall have delivered to the Trustee an Officers' Certificate and an Opinion of

Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture.

Opinions of Counsel required to be delivered under this Section or elsewhere in this Indenture may have qualifications customary for opinions of the type required and counsel delivering such Opinions of Counsel may rely on certificates of the Company or government or other officials customary for opinions of the type required, including certificates certifying as to matters of fact.

The Successor Company shall be the successor to the Company or the Subsidiary Guarantor, as applicable, and shall succeed to, and be substituted for, and may exercise every right and power of, the Company or the Subsidiary Guarantor, as applicable, under this Indenture, but the predecessor company, only in the case of a conveyance, transfer or lease, will not be released from the obligation to pay the principal of and interest on the Securities.

Notwithstanding the foregoing, (i) any Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) the Company may merge with an Affiliate incorporated for the purpose of reincorporating the Company in another jurisdiction to realize tax or other benefits.

## ARTICLE 6

### DEFAULTS AND REMEDIES

SECTION 6.1. EVENTS OF DEFAULT. An "Event of Default" occurs if:

(i) the Company defaults in the payment of interest on the Securities when due, and such default continues for a period of 30 days;

(ii) the Company defaults in the payment of the principal of any Security when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon

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acceleration or otherwise;

(iii) the Company fails to comply with Section 5.1;

(iv) the Company fails to comply for 30 days after the notice specified below with Section 4.3, 4.4, 4.6, 4.8 or 4.13 (other than a failure to purchase Securities when required under Section 4.8);

(v) the Company fails to comply for 60 days after the Company receives the notice specified below with any of its other agreements in this Indenture (other than those referred to in (i), (ii), (iii) or (iv) above);

(vi) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds \$10.0 million or its foreign currency equivalent at the time;

(vii) the Company or any Significant Subsidiary of the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case in which it is the debtor;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws having a similar effect or purpose as the Bankruptcy Laws;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Significant Subsidiary of the Company in an involuntary case;

(B) appoints a Custodian of the Company or any

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Significant Subsidiary of the Company or for any substantial part of the property of the Company or Significant Subsidiary; or

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary of the Company;

(or any similar relief is granted under any foreign laws having a similar effect or purpose as the Bankruptcy Laws) and the order or decree remains unstayed and in effect for 60 days; or

(ix) the rendering of any judgment or decree for the payment of money in excess of \$10.0 million, or its foreign equivalent at the time, is entered against the Company or any Significant Subsidiary if such judgment or decree remains outstanding for a period of 60 days following entry of such judgment and is not discharged, bonded, waived or stayed within 30 days after notice thereof.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by

operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term "Bankruptcy Law" means Title 11, United States Code, as amended, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (iv) or (v) of this Section 6.1 will not constitute an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any Event of Default under clause (vi) of this Section 6.1 and any event which with the giving of notice or the lapse of time would become an Event of Default

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under clause (iv), (v) or (ix) of this Section 6.1, its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 6.2. ACCELERATION. If an Event of Default (other than an Event of Default specified in Section 6.1(vii) or (viii) with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the outstanding Securities by notice to the Company and the Trustee, may declare the principal of and accrued but unpaid interest on all the Securities to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.1(vii) or (viii) relating to the Company occurs and is continuing, the principal of and interest on all the Securities will IPSO FACTO become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders. The Holders of a majority in aggregate principal amount of the outstanding Securities may by notice to the Trustee rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.3. OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy

accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are, to the extent permitted by law, cumulative.

SECTION 6.4. WAIVER OF PAST DEFAULTS. The Holders of a majority in aggregate principal amount of the outstanding Securities by notice to the Trustee may waive any past or existing Default and its consequences or compliance with any provisions of this Indenture except (i) a Default in the payment of the principal of or interest on a Security or (ii) a Default

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in respect of a provision that under Section 9.2 cannot be amended without the consent of each Securityholder affected. When a Default is waived, it is deemed cured, and any Event of Default arising therefrom shall be deemed to have been cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.5. CONTROL BY MAJORITY. The Holders of a majority in aggregate principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.1, that the Trustee determines is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability; PROVIDED, HOWEVER, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification from the Securityholders satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.6. LIMITATION ON SUITS. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Securities unless:

- (1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;
- (2) the Holders of at least 25% in aggregate principal amount of the Securities then outstanding make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the Securities then outstanding do not give the Trustee a direction

inconsistent with the request during such 60-day period.

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A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

SECTION 6.7. RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Securities held by such Holder, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8. COLLECTION SUIT BY TRUSTEE. If an Event of Default specified in Section 6.1(i) or (ii) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.7.

SECTION 6.9. TRUSTEE MAY FILE PROOFS OF CLAIM. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.7.

SECTION 6.10. PRIORITIES. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order, subject to applicable law:

FIRST: to the Trustee for amounts due under Section 7.7;

SECOND: to Securityholders for amounts due and unpaid on the Securities for principal and interest,

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ratably, without preference or priority of any kind, according to the

amounts due and payable on the Securities for principal and interest, respectively; and

THIRD: to the Company.

The Trustee may, upon prior written notice to the Company, fix a record date and payment date for any payment to Securityholders pursuant to this Section. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in aggregate principal amount of the outstanding Securities.

SECTION 6.12. WAIVER OF STAY OR EXTENSION LAWS. The Company (to the extent it may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

## ARTICLE 7

### TRUSTEE

SECTION 7.1. DUTIES OF TRUSTEE. (a) If an Event of Default has occurred and is continuing, the Trustee shall, in the exercise of its the rights and powers vested in it by this Indenture and use the same degree of care of a prudent Person in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and



(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and

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(c) of this Section and to the provisions of the TIA.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.2. RIGHTS OF TRUSTEE. Subject to Section 7.1, (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be

liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; PROVIDED, HOWEVER, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

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(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(g) Except with respect to Section 4.1, the Trustee shall have no duty to inquire as to the performance of the Company's covenants in Article 4. In addition, the Trustee shall not be deemed to have knowledge of any Default of Event of Default except (i) any Default or Event of Default occurring pursuant to Sections 6.1(i), 6.1(ii) and 4.1 or (ii) any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

SECTION 7.3. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its respective Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4. TRUSTEE'S DISCLAIMER. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

SECTION 7.5. NOTICE OF DEFAULTS. If a Default occurs and is continuing and is known to the Trustee, the Trustee shall mail to each

Securityholder notice of the Default within of 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Trust Officers in good faith determines that withholding notice is not opposed to the interests of Securityholders.

SECTION 7.6. REPORTS BY TRUSTEE TO HOLDERS. As promptly as practicable after each May 15 beginning with the May

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15 following the date of this Indenture, and in any event prior to July 15 in each year, the Trustee shall mail to each Securityholder a brief report dated as of May 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b). Prior to delivery to the Holders, the Trustee shall deliver to the Company a copy of any report it delivers to Holders pursuant to this Section 7.6.

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.7. COMPENSATION AND INDEMNITY. The Company shall pay to the Trustee from time to time such reasonable compensation for its services as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to such compensation for its services, except any such expense, disbursement or advance as may arise from its negligence, willful misconduct or bad faith. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Trustee shall provide the Company reasonable notice of any expenditure not in the ordinary course of business; PROVIDED that prior approval by the Company of any such expenditure shall not be a requirement for the making of such expenditure nor for reimbursement by the Company thereof. The Company shall indemnify each of the Trustee and any predecessor Trustees against any and all loss, damage, claim, liability or expense (including attorneys' fees and expenses) (other than taxes applicable to the Trustee's compensation hereunder) incurred by it in connection with the acceptance or administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense of such claim. The Trustee may have separate counsel at its own expense. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct,

Company need not pay for any settlement made without its written consent.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Securities.

The Company's payment obligations pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.1(vii) or (viii) with respect to the Company, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 7.8. REPLACEMENT OF TRUSTEE. The Trustee may resign at any time upon 30 days notice to the Company. The Holders of a majority in principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10;
- (2) the Trustee is adjudged bankrupt or insolvent;
- (3) a receiver or other public officer takes charge of the Trustee or its property; or
- (4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Company or by the Holders of a majority in principal amount of the Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall

promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

SECTION 7.9. SUCCESSOR TRUSTEE BY MERGER. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, PROVIDED that such corporation shall be eligible under this Article Seven and TIA Section 3.10(a).

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION. The Trustee shall at all times satisfy the requirements of TIA Section 310(a). The Trustee shall have a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply

with TIA Section 310(b); PROVIDED, HOWEVER, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. The Trustee shall comply with TIA Section 311(a), excluding any creditor

relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

## ARTICLE 8

### DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.1. DISCHARGE OF LIABILITY ON SECURITIES; DEFEASANCE. This Indenture will cease to be of further effect as to all outstanding Securities when: (a) When (i) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced pursuant to Section 2.7) for cancellation or (ii) all outstanding Securities have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 3 hereof, and, in each case of this clause (ii), the Company irrevocably deposits or causes to be deposited with the Trustee United States dollars or U.S. Government Obligations sufficient to pay and discharge the entire indebtedness on the Securities not heretofore delivered to the Trustee for cancellation, for the principal of, premium, if any, and interest to the date of deposit (other than Securities replaced pursuant to Section 2.7), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 8.1(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel from the Company that all conditions precedent provided herein for relating to satisfaction and discharge of this Indenture have been complied with and at the cost and expense of the Company.

(b) Subject to Sections 8.1(c) and 8.2, the Company at its option at any time may terminate (i) all of its

obligations under the Securities and this Indenture ("legal defeasance option") or (ii) its obligations under Article 4 (and any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Securities) and the operation of Sections 6.1(vi), 6.1(vii) (but only with respect to a Significant Subsidiary), 6.1(viii) (but only with respect to a Significant Subsidiary), 6.1(ix) and 5.1(iii) and 5.1(iv) ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Securities may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Sections 6.1(iv), 6.1(vi) and 6.1(vii) (but only with respect to a Significant Subsidiary), or 6.1(viii) (but only with respect to a Significant Subsidiary) or 6.1(ix) or because of the failure of the Company to comply with 5.1(iii) or 5.1(iv).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.3, 2.4, 2.5, 2.6, 2.7, 7.7, 7.8, 8.4, 8.5 and 8.6 shall survive until the Securities have been paid in full. Thereafter, the Company's obligations in Sections 7.7, 8.4 and 8.5 shall survive.

SECTION 8.2. CONDITIONS TO DEFEASANCE. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits or causes to be deposited in trust with the Trustee money or U.S. Government Obligations which, through the scheduled payment of principal and interest in respect thereof in accordance with their terms, will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all outstanding Securities (except Securities replaced pursuant to Section 2.6) to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of

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independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all outstanding Securities (except Securities replaced pursuant to Section 2.7) to maturity or redemption, as the case may be;

(3) 91 days pass after the deposit is made and during the 91-day period no Default specified in Section 6.1(vii) or (viii) with respect to the Company occurs which is continuing at the end of the period;

(4) the deposit does not constitute a default under any other material agreement binding on the Company;

(5) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company have received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Securityholders will not recognize income, gain or loss for



federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(7) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Securityholders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and

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(8) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Securities as contemplated by this Article 8 have been complied with.

Opinions of Counsel required to be delivered under this Section may have qualifications customary for opinions of the type required and counsel delivering such Opinions of Counsel may rely on certificates of the Company or government or other officials customary for opinions of the type required, including certificates certifying as to matters of fact.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

SECTION 8.3. APPLICATION OF TRUST MONEY. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations either directly or through the Paying Agent (including the Company acting as its own Paying Agent as the Trustee may determine) and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.4. REPAYMENT TO COMPANY. The Trustee and the Paying Agent shall notify the Company of any excess money or Securities held by them at any time and shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Securityholders entitled to the money must look to the Company for payment as general creditors.

SECTION 8.5. INDEMNITY FOR GOVERNMENT OBLIGATIONS. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed



on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations other than any such tax, fee or other charge which by law is for the account of the Holders of the defeased Securities; PROVIDED that the Trustee shall be entitled to charge any such tax, fee or other charge to such Holder's account.

SECTION 8.6. REINSTATEMENT. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; PROVIDED, HOWEVER, that, (a) if the Company has made any payment of interest on or principal of any Securities following the reinstatement of their obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent and (b) unless otherwise required by any legal proceeding or any order or judgment of any court or governmental authority, the Trustee or Paying Agent shall return all such money and U.S. Government Obligations to the Company promptly after receiving a written request therefor at any time, if such reinstatement of the Company's obligations has occurred and continues to be in effect.

## ARTICLE 9

### AMENDMENTS

SECTION 9.1. WITHOUT CONSENT OF HOLDERS. The Company and the Trustee may amend this Indenture or the Securities without notice to or consent of any Securityholder:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with Article 5;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities; PROVIDED, HOWEVER, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are as described in Section 163(f) (2) (B) of the Code;

(4) to add guarantees with respect to the Securities, including the Subsidiary Guaranties;

(5) to secure the Securities;

(6) to add to the covenants of the Company or the Subsidiary Guarantors for the benefit of the Holders or to surrender any right or power herein conferred upon the Company or the Subsidiary Guarantors;

(7) to make any change that does not adversely affect the rights of any Securityholder; or

(8) to comply with any requirements of the SEC in connection with qualifying this Indenture under the TIA.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this section.

SECTION 9.2. WITH CONSENT OF HOLDERS. The Company and the Trustee may amend this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding. However, without the consent of each Holder of an outstanding Security affected thereby, an amendment may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Security;

(3) reduce the principal of or extend the Stated Maturity of any Security;

(4) reduce the premium payable upon the redemption of any Security or change the time at which any Security may be redeemed in accordance with Article 3;

(5) make any Security payable in money other than that stated in the Security;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or

with respect to such Holder's Securities;

(7) make any change in Section 6.4 or 6.7 or the second sentence of this Section; or

(8) affect the ranking of the Securities in any material respect.

The consent of the Holders under this Section is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. However, the failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.3. COMPLIANCE WITH TRUST INDENTURE ACT. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.4. REVOCATION AND EFFECT OF CONSENTS AND WAIVERS. A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. An amendment or waiver becomes effective once the requisite number of consents are received by the Company or the Trustee. After an amendment or waiver becomes effective, it shall bind every Securityholder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Securityholders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.5. NOTATION ON OR EXCHANGE OF SECURITIES. If an amendment changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determine, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

SECTION 9.6. TRUSTEE TO SIGN AMENDMENTS. The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment complies with the provisions of Article 9 of this Indenture.

## ARTICLE 10

### SUBSIDIARY GUARANTIES

SECTION 10.1. GUARANTIES. Each Subsidiary Guarantor hereby unconditionally and irrevocably guarantees, jointly and severally, to each Holder and to the Trustee and its successors and assigns (a) the full and punctual payment of principal of and interest on the Securities when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under this Indenture and the Securities and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company under this Indenture and the Securities (all the foregoing being hereinafter collectively called the "Obligations"). Each Subsidiary Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from such Subsidiary Guarantor and that such Subsidiary Guarantor will remain bound under this Article 10 notwithstanding any extension or renewal of any Obligation.

Each Subsidiary Guarantor waives presentation to, demand of, payment from and protest to the Company of any of the Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the

Securities or the Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (a) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Securities or any other agreement or otherwise; (b) any extension or renewal of any thereof; (c) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Securities or any other agreement; (d) the release of any security held by any Holder or the Trustee for the Obligations or any of them; (e) the failure of any Holder or the Trustee to exercise any right or remedy against any other guarantor of the Obligations; or (f) any change in the ownership of such Subsidiary Guarantor.

Each Subsidiary Guarantor further agrees that its Subsidiary Guaranty herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any

resort be had by any Holder or the Trustee to any security held for payment of the Obligations.

Except as expressly set forth in Sections 8.1(b), 10.2 and 10.6, the obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Securities or any other agreement, by any waiver of modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Subsidiary Guarantor or would otherwise operate as a discharge of such Subsidiary Guarantor as a matter of law or equity.

Each Subsidiary Guarantor further agrees that its Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by any Holder or the

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Trustee upon the bankruptcy or reorganization of the Company or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay the principal of or interest on any Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Obligation, each Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash to the Holders or the Trustee an amount equal to the sum of (i) the unpaid amount of such Obligations, (ii) accrued and unpaid interest on such Obligations (but only to the extent not prohibited by law) and (iii) all other monetary Obligations of the Company to the Holders and the Trustee.

Each Subsidiary Guarantor agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Obligations Guaranteed hereby may be accelerated as provided in Article 6 for the purposes of such Subsidiary Guarantor's Subsidiary Guaranty herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of any Obligations Guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6, such Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of this Section.

Each Subsidiary Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder in enforcing any rights under this Section.

SECTION 10.2. LIMITATION ON LIABILITY. Any term or provision of this Indenture to the contrary notwithstanding, the maximum, aggregate amount of the Obligations guaranteed hereunder by any Subsidiary Guarantor shall not exceed the maximum amount that can be hereby guaranteed without rendering this Indenture or the Guarantee, as they relate to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 10.3. SUCCESSORS AND ASSIGNS. This

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Article 10 shall be binding upon each Subsidiary Guarantor and its successors and assigns and shall enure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 10.4. NO WAIVER Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 10 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 10 at law, in equity, by statute or otherwise.

SECTION 10.5. MODIFICATION. No modification, amendment or waiver of any provision of this Article 10, nor the consent to any departure by any Subsidiary Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Subsidiary Guarantor in any case shall entitle such Subsidiary Guarantor to any other or further circumstances.

SECTION 10.6. RELEASE OF SUBSIDIARY GUARANTOR. Upon the sale or other disposition (including by way of consolidation or merger) of all of the Capital Stock of such a Subsidiary Guarantor, the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (in each case other than to the Company or an Affiliate of the Company) or the designation of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with this Indenture, such Subsidiary Guarantor shall be deemed released from all obligations under this Article 11 without any further action required on the part of the Trustee or any Holder. At the request of the Company, the Trustee shall execute and deliver an appropriate instrument evidencing such release.

## ARTICLE 11

## MISCELLANEOUS

SECTION 11.1. TRUST INDENTURE ACT CONTROLS. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control. If this Indenture excludes any provision of the TIA that is required to be included, such provision shall be deemed included herein.

SECTION 11.2. NOTICES. Any notice or communication shall be in writing and delivered in person, by overnight courier or facsimile (if to the Company, with receipt confirmed by an Officer) or mailed by first-class mail addressed as follows:

## IF TO THE COMPANY:

International Logistics Limited  
330 S. Mannheim Road  
Hillside, Illinois 60162  
Attention: Chief Financial Officer

## With copies to:

Millbank, Tweed, Hadley & McCloy  
601 S. Figueroa Street  
30th Floor  
Los Angeles, California 90017  
Attention: Eric H. Schunk, Esq.

## IF TO THE TRUSTEE:

First Trust National Association  
180 East Fifth Street  
St. Paul, Minnesota 55101  
Attention: Corporate Trust Trustee Administration

## AND IF TO THE TRUSTEE'S OFFICE IN NEW YORK CITY:

First Trust New York  
100 Wall Street  
20th Floor  
New York, New York 10005  
Attention: Corporate Trust Trustee Administration

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed or sent by overnight courier or facsimile to a Securityholder shall be sent to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so sent within the time prescribed.

Failure to send a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is sent in the manner provided above, it is duly given, whether or not the addressee receives it.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 11.3 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.  
Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.4. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.  
Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate (which in connection with the original issuance of the Securities need only be executed by one Officer for the Company) in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 11.5. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each certificate or opinion with respect to compliance

with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;



(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with; PROVIDED, that an Opinion of Counsel can rely as to matters of fact on an Officers' Certificate or a certificate of a public official.

SECTION 11.6. WHEN SECURITIES DISREGARDED. In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee actually knows are so owned shall be so disregarded. Also, subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 11.7. RULES BY TRUSTEE, PAYING AGENT AND REGISTRAR. The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Trustee shall provide the Company reasonable notice of such rules. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 11.8. LEGAL HOLIDAYS. A "Legal Holiday" is

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a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or required by law to close. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 11.9. GOVERNING LAW. This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflict of laws to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 11.10. NO RECOURSE AGAINST OTHERS. No recourse for the payment of the principal of, premium, if any, or interest on any of the Securities or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture, or in any of the Securities or because of the creation of any Indebtedness represented hereby and thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Successor Person thereof. Each Holder, by accepting a Security, waives and releases all such liability. The waiver and release shall be part of the consideration for the issuance of the Securities.

SECTION 11.11. SUCCESSORS. All agreements of the Company in this Indenture and the Securities shall bind the Company's successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.12. MULTIPLE ORIGINALS. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 11.13. TABLE OF CONTENTS; HEADINGS. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

SECTION 11.14. SEVERABILITY CLAUSE. In case any

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provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

INTERNATIONAL LOGISTICS LIMITED

By: /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: President and Chief  
Executive Officer

THE GUARANTORS:

THE BEKINS COMPANY

By: /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: President and Chief  
Executive Officer

LEP PROFIT INTERNATIONAL, INC.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Chairman of the Board

ILLCAN, INC.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Chairman of the Board

ILLSCOT, INC.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

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Title: Chairman of the Board

MATRIX INTERNATIONAL LOGISTICS, INC.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Chairman of the Board

LIW HOLDINGS CORP.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Chairman of the Board

BEKINS VAN LINES CO.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Vice President

LEP FAIRS, INC.

By: /s/ ROGER E. PAYTON

Name: Roger E. Payton

Title: Vice President

AIR FREIGHT CONSOLIDATORS  
INTERNATIONAL, INC.

By: /s/ ROGER E. PAYTON  
-----

Name: Roger E. Payton  
Title: Vice President

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BAY AREA MATRIX, INC.

By: /s/ ROGER E. PAYTON  
-----

Name: Roger E. Payton  
Title: Vice President

L.A. MATRIX, INC.

By: /s/ ROGER E. PAYTON  
-----

Name: Roger E. Payton  
Title: Vice President

SOUTHWEST MATRIX, INC.

By: /s/ ROGER E. PAYTON  
-----

Name: Roger E. Payton  
Title: Vice President

MATRIX CT., INC.

By: /s/ ROGER E. PAYTON  
-----

Name: Roger E. Payton  
Title: Vice President

THE TRUSTEE:

FIRST TRUST NATIONAL ASSOCIATION

By: /s/ RICK PROKOSCH  
-----

Name: Rick Prokosch  
Title:

RULE 144A/REGULATION S APPENDIX  
FOR OFFERINGS TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO  
RULE 144A AND TO CERTAIN PERSONS IN OFFSHORE TRANSACTIONS IN  
RELIANCE ON REGULATION S.

PROVISIONS RELATING TO INITIAL SECURITIES,  
PRIVATE EXCHANGE SECURITIES  
AND EXCHANGE SECURITIES

1. DEFINITIONS.

1.1 DEFINITIONS.

For the purposes of this Appendix the following terms shall have the meanings indicated below:

"Depository" means The Depository Trust Company, its nominees and their respective successors.

"Exchange Securities" means the 9 3/4% Senior Notes Due 2007 to be issued pursuant to this Indenture in connection with a Registered Exchange Offer pursuant to the Registration Rights Agreement.

"Initial Purchasers" means Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Barings (U.S.) Securities, Inc.

"Initial Securities" means the 9 3/4% Senior Notes Due 2007, issued under this Indenture on or about the date hereof.

"Private Exchange" means the offer by the Company, pursuant to the Registration Rights Agreement, to the Initial Purchasers to issue and deliver to each Initial Purchaser, in exchange for the Initial Securities held by the Initial Purchaser as part of its initial distribution, a like aggregate principal amount of Private Exchange Securities.

"Private Exchange Securities" means the 9 3/4% Senior Notes Due 2007 to be issued pursuant to this Indenture to the Initial Purchasers in a Private Exchange,

"Purchase Agreement" means the Purchase Agreement

dated October 24, 1997, among the Company, the Subsidiary Guarantors and the Initial Purchasers.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registered Exchange Offer" means the offer by the Company, pursuant to the Registration Rights Agreement, to certain Holders of Initial Securities, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of Exchange Securities registered under the Securities Act.

"Registration Rights Agreement" means the Registration Rights Agreement dated October 29, 1997 among the Company, the Subsidiary Guarantors and the Initial Purchasers.

"Securities" means the Initial Securities, the Exchange Securities and the Private Exchange Securities, treated as a single class.

"Securities Act" means the Securities Act of 1933.

"Securities Custodian" means the custodian with respect to a Global Security (as appointed by the Depository), or any successor person thereto and shall initially be the Trustee.

"Shelf Registration Statement" means the registration statement issued by the Company, in connection with the offer and sale of Initial Securities or Private Exchange Securities, pursuant to the Registration Rights Agreement.

"Transfer Restricted Securities" means Securities that bear or are required to bear the legend set forth in Section 2.3(d) hereto.

1.2 OTHER DEFINITIONS.

| Term<br>----               | Defined in Section:<br>----- |
|----------------------------|------------------------------|
| "Agent Members . . . . .   | 2.1 (b)                      |
| "Global Security". . . . . | 2.1 (a)                      |
| "Regulation S" . . . . .   | 2.1 (a)                      |
| "Rule 144A". . . . .       | 2.1 (a)                      |

2. THE SECURITIES.

2.1 FORM AND DATING.

The Initial Securities are being offered and sold by the Company pursuant to the Purchase Agreement.

(a) GLOBAL SECURITIES. Initial Securities offered and sold to a QIB in reliance on Rule 144A under the Securities Act ("Rule 144A") or in reliance on Regulation S under the Securities Act ("Regulation S"), in each case as provided in the Purchase Agreement, shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form without interest coupons with the global securities legend and restricted securities legend set forth in Exhibit 1 hereto (each, a "Global Security"), which shall be deposited on behalf of the purchasers of the Initial Securities represented thereby with the Trustee, at its New York office, as custodian for the Depository (or with such other custodian as the Depository may direct), and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

(b) BOOK-ENTRY PROVISIONS. This Section 2.1(b) shall apply only to a Global Security deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository for such Global Security or Global Securities or the nominee of such Depository and (b) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as custodian for the Depository.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing

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herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(c) CERTIFICATED SECURITIES. Except as provided in this Section 2.1 or Section 2.3 or 2.4, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Securities.

## 2.2 AUTHENTICATION.

The Trustee shall authenticate and deliver: (1) Initial Securities

for original issue in an aggregate principal amount of \$110.0 million and (2) Exchange Securities or Private Exchange Securities for issue only in a Registered Exchange Offer or a Private Exchange, respectively, pursuant to the Registration Rights Agreement, for a like principal amount of Initial Securities, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and whether the Securities are to be Initial Securities, Exchange Securities or Private Exchange Securities. The aggregate principal amount of Securities outstanding at any time may not exceed \$110.0 million except as provided in Section 2.6 of this Indenture.

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## 2.3 TRANSFER AND EXCHANGE.

(a) TRANSFER AND EXCHANGE OF GLOBAL SECURITIES. (i) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Security shall deliver to the Registrar a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Security. The Registrar shall, in accordance with such instructions instruct the Depository to credit to the account of the Person specified in such instructions a beneficial interest in the Global Security and to debit the account of the Person making the transfer the beneficial interest in the Global Security being transferred.

(ii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4), a Global Security may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(iii) In the event that a Global Security is exchanged for Securities in definitive registered form pursuant to Section 2.4 of this Appendix or Section 2.08 of the Indenture, prior to the consummation of a Registered Exchange Offer or the effectiveness of a Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Securities intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(b) LEGEND. (i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Security certificate evidencing the Global Securities (and all Securities issued in exchange therefor or in substitution thereof)



shall bear a legend in substantially the following form:

"THIS SECURITY (OR ITS PREDECESSOR) AND ANY GUARANTEE

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THEREOF WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (ii) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (iv) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (i) THROUGH (iv) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144 under the Securities Act, in the case of any Transfer Restricted Security that is represented by a Global Security, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a certificated Security that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Security).

(iii) After a transfer of any Initial Securities or Private Exchange Securities during the period of the effectiveness of a Shelf Registration Statement with respect to

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such Initial Securities or Private Exchange Securities, as the case may be, all

requirements pertaining to legends on such Initial Security or such Private Exchange Security will cease to apply, the requirements requiring any such Initial Security or such Private Exchange Security issued to certain Holders be issued in global form will cease to apply, and a certificated Initial Security or Private Exchange Security without legends will be available to the transferee of the Holder of such Initial Securities or Private Exchange Securities upon exchange of such transferring Holder's certificated Initial Security or Private Exchange Security or directions to transfer such Holder's interest in the Global Security, as applicable.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Exchange Securities in exchange for their Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will cease to apply and certificated Initial Securities with the restricted securities legend set forth in Exhibit 1 hereto will be available to Holders of such Initial Securities that do not exchange their Initial Securities, and Exchange Securities in certificated or global form will be available to Holders that exchange such Initial Securities in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Private Exchange Securities in exchange for their Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply, and Private Exchange Securities in global form with the Restricted Securities Legend set forth in Exhibit I hereto will be available to Holders that exchange such Initial Securities in such Private Exchange.

(c) CANCELLATION OR ADJUSTMENT OF GLOBAL SECURITY. At such time as all beneficial interests in a Global Security have either been exchanged for certificated Securities, redeemed, repurchased or canceled, such Global Security shall be returned to the Depository for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for certificated Securities, redeemed, repurchased or canceled, the principal amount of Securities represented by such Global Security shall be reduced and an adjustment shall be made

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on the books and records of the Trustee (if it is then the Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(d) OBLIGATIONS WITH RESPECT TO TRANSFERS AND EXCHANGES OF SECURITIES. (i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate certificated Securities and Global Securities at the Registrar's or co-registrar's request.

(ii) No service charge shall be made for any registration of transfer

or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.6, 6.11 and Section 9.5 of the Indenture).

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any certificated Security selected for redemption in whole or in part pursuant to Article 3 of this Indenture, except the unredeemed portion of any certificated Security being redeemed in part, or (b) any Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Securities or 15 Business Days before an interest payment date.

(iv) Prior to the due presentation for registration of transfer of any Security, the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

(e) NO OBLIGATION OF THE TRUSTEE. (i) The Trustee

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shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed

under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depository participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

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## 2.4 CERTIFICATED SECURITIES.

(a) A Global Security deposited with the Depository or with the Trustee as custodian for the Depository pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of certificated Securities in an aggregate principal amount equal to the principal amount of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.3 and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a "clearing agency" registered under the Exchange Act and a successor depository is not appointed by the Company within 90 days of such notice, or (ii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Securities under this Indenture.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depository to the Trustee located in the Borough of Manhattan, The City of New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of certificated Initial Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of \$1,000 and any integral multiple thereof and registered in such names as the Depository shall direct. Any certificated Initial Security delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.3(d), bear the restricted securities legend set forth in Exhibit 1 hereto.

(c) Subject to the provisions of Section 2.4(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) In the event of the occurrence of either of the events specified in Section 2.4(a), the Company will promptly make available to the Trustee a reasonable supply of certificated Securities in definitive, fully registered form without interest coupons.

EXHIBIT 1  
to  
RULE 144A/REGULATION S APPENDIX

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTCI"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Securities Legend]

"THIS SECURITY (OR ITS PREDECESSOR) AND ANY GUARANTEE THEREOF WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (ii) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE),

OR (iv) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (i) THROUGH (iv) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

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EXHIBIT A

[FORM OF FACE OF INITIAL SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Securities Legend]

"THIS SECURITY (OR ITS PREDECESSOR) AND ANY GUARANTEE THEREOF WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (ii) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (iv) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER

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THE SECURITIES ACT, IN EACH OF CASES (i) THROUGH (iv) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

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INTERNATIONAL LOGISTICS LIMITED

\$110,000,000

9 3/4% Senior Notes Due 2007

No. CUSIP No.

INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation, promises to pay to , or registered assigns, the principal sum of on October 15, 2007.

Interest Payment Dates: April 15 and October 15.

Record Dates: April 1 and October 1.

Additional provisions of this Security are set forth on the reverse side of this Security.

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INTERNATIONAL LOGISTICS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated: , 1997

TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION

FIRST TRUST NATIONAL ASSOCIATION, as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

By:

-----  
Authorized Signatory

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[FORM OF REVERSE SIDE OF INITIAL SECURITY]

9 3/4% SENIOR NOTE DUE 2007

1. INTEREST

INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation (such entity, and its successors and assigns under the Indenture hereinafter referred to, and each other entity which is required to become the Company pursuant to the Indenture, and its successors and assigns under the Indenture, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semiannually on April 15 and October 15 of each year, commencing April 15, 1998. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from, October 29, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal at the rate borne by the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

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2. METHOD OF PAYMENT

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the record date immediately preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium and



interest) by mailing a check to the registered address of each Holder thereof; PROVIDED, HOWEVER, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

### 3. PAYING AGENT AND REGISTRAR

Initially, FIRST TRUST NATIONAL ASSOCIATION, a National banking corporation ("Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company may act as Paying Agent, Registrar, co-Registrar or transfer agent.

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### 4. INDENTURE

The Company issued the Securities under an Indenture dated as of October 29, 1997 (the "Indenture"), among the Company the Subsidiary Guarantors named therein and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms. Any conflict between this Security and the Indenture will be governed by the Indenture.

The Securities are general unsecured senior obligations of the Company limited to \$110,000,000 aggregate principal amount (subject to Section 2.7 of the Indenture). The Indenture imposes certain limitations on the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries, the existence of liens, the payment of dividends on, and redemption of, the Capital Stock of the Company and its Subsidiaries, restricted payments, the sale or transfer of assets and Subsidiary stock, the issuance or sale of Capital Stock of Restricted Subsidiaries, sale and leaseback transactions, the investments of the Company and its Restricted Subsidiaries, consolidations, mergers and transfers of all or substantially all the assets of the Company, and transactions with Affiliates. In addition, the Indenture limits the ability of the Company and certain of its Subsidiaries to restrict distributions and dividends from Restricted Subsidiaries.

### 5. OPTIONAL REDEMPTION

Except as set forth in the next paragraph, the Securities may not be redeemed prior to October 15, 2002. Thereafter, the Company may redeem as provided in, and subject to the terms of, the Indenture the Securities in whole or in part, at any time or from time to time, at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if

redeemed during the 12-month period commencing on October 15 of the years set forth below:

| Period<br>-----               | Percentage<br>----- |
|-------------------------------|---------------------|
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| 2002 . . . . .                | 104.875%            |
| 2003 . . . . .                | 103.250%            |
| 2004 . . . . .                | 101.625%            |
| 2005 and thereafter . . . . . | 100.000%            |

In addition, at any time and from time to time prior to October 15, 2000, the Company may redeem in the aggregate up to 35% of the principal amount of the Securities with the proceeds of one or more Public Equity Offerings, at a redemption price (expressed as a percentage of principal amount) of 109.75% plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture; PROVIDED, HOWEVER, that at least \$71.5 million aggregate principal amount of the Securities must remain outstanding after each such redemption.

#### 6. NOTICE OF REDEMPTION

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption. If a notice or communication is sent in the manner provided in the Indenture, it is duly given, whether or not the addressee receives it. Failure to send a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

In addition, in the event of certain Asset Dispositions, the Company will be required to make an offer to purchase Securities at a purchase price of 100% of their principal amount plus accrued interest to the date of purchase (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

#### 7. CHANGE OF CONTROL

Upon a Change of Control, each Holder of Securities will have the right to require the Company to repurchase all or any part of the Securities of such Holder at a repurchase price in cash equal to 101% of the principal amount of the Securities to be repurchased plus accrued and unpaid interest to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

#### 8. DENOMINATIONS; TRANSFER; EXCHANGE

The Securities are in registered form without coupons in denominations of \$1,000 and whole multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture, including any transfer tax or other similar governmental charge payable in connection therewith. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

#### 9. PERSONS DEEMED OWNERS

The registered Holder of this Security may be treated as the owner of it for all purposes.

#### 10. UNCLAIMED MONEY

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

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#### 11. DISCHARGE AND DEFEASANCE

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

#### 12. AMENDMENT, WAIVER

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the consent of the Holders of at least a majority in principal amount outstanding of the Securities and (ii) any past default or compliance with any provision may be waived with the consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the

Securities to cure any ambiguity, omission, defect or inconsistency, to comply with Article 5 of the Indenture, to provide for uncertificated Securities in addition to or in place of certificated Securities, to add guarantees with respect to the Securities, to secure the Securities, to add additional covenants or surrender rights and powers conferred on the Company, to make any change that does not adversely affect the rights of any Securityholder or to comply with any request of the SEC in connection with qualifying the Indenture under the TIA.

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### 13. DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest on the Securities; (ii) default in payment of principal on any Security when due at its Stated Maturity, upon redemption pursuant to paragraphs 5 or 6 above, upon required repurchase, upon acceleration or otherwise, (iii) failure by the Company to comply with Article 5 of the Indenture; (iv) failure by the Company to comply for 30 days after the notice specified in the paragraph below with Section 4.3, 4.4, 4.6, 4.8 or 4.13 (other than a failure to purchase Securities when required under Section 4.8) of the Indenture; (v) failure by the Company to comply for 60 days after the Company receives the notice specified in the paragraph below with any of its other agreements in the Indenture (other than those referred to in (i), (ii), (iii) or (iv) above); (vi) failure by the Company or any Significant Subsidiary to pay any Indebtedness within any applicable grace period after final maturity or acceleration by the Holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds \$10.0 million; (vii) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary; and (viii) the rendering of any judgments or decrees for the payment of money in excess of \$10.0 million, or its foreign equivalent at the time, is entered against the Company or any Significant Subsidiary if such judgment or decree remains outstanding for a period of 60 days following entry of such judgment and is not discharged, bonded, waived or stayed within 30 days after notice thereof.

A Default under clause (iv) or (v) of Section 6.1 of the Indenture will not constitute an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities then outstanding may declare all the Securities to be due and payable. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

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Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

#### 14. GUARANTEE

The obligations of the Company pursuant to the Securities, including the repurchase obligations resulting from a Change of Control, will be unconditionally guaranteed, on a senior unsecured basis, by each Subsidiary Guarantor.

#### 15. TRUSTEE DEALINGS WITH THE COMPANY

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or any of its Affiliates and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee.

#### 16. NO RECOURSE AGAINST OTHERS

No recourse for the payment of the principal of, premium, if any, or interest on any of the Securities or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Securities or because of the creation of any Indebtedness represented hereby and thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Successor Person thereof. Each Holder, by accepting a Security, waives and releases all such liability.

#### 17. GOVERNING LAW

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICT OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

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#### 18. AUTHENTICATION

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

#### 19. ABBREVIATIONS

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= custodian), and U/G/M/A (= Uniform Gift to Minors Act).

## 20. HOLDERS' COMPLIANCE WITH REGISTRATION RIGHTS AGREEMENT.

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

## 21. CUSIP NUMBERS

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and have directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

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The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made as follows:

If to the Company:

International Logistics Limited  
330 S. Mannheim Road  
Hillside, Illinois 60162  
Attention: Chief Financial Officer

If to the Trustee:

First Trust National Association  
180 East Fifth Street  
St. Paul, Minnesota 55101  
Attention: Corporate Trust Trustee Administration

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## ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

-----  
(Print or type assignee's name, address and zip code)  
-----

-----  
(Insert assignee's soc. sec. or tax I.D. No.)  
-----

and irrevocably appoint \_\_\_\_\_ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_ Your Signature: \_\_\_\_\_  
Sign exactly as your name appears on the other side of this Security.

Signature Guarantee: \_\_\_\_\_  
(Signature must be guaranteed)

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities are owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being transferred in accordance with its terms:

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[CHECK ONE]  
-----

- (1) \_\_\_ to the Company or a Subsidiary thereof; or
- (2) \_\_\_ to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (3) \_\_\_ outside the United states to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or
- (4) \_\_\_ pursuant to an effective registration statement under the Securities Act of 1933, as amended; or
- (5) \_\_\_ pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

and unless the box below is checked, the undersigned confirms that such Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

/ /

The transferee is an Affiliate of the Company.

Unless one of the items above is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; PROVIDED, HOWEVER, that if item (3), or (5) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Notes, in their sole discretion, such written legal opinions, certifications (including an investment letter in the case of box (3) or (4)) and other information as the Trustee or the Company have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this

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Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.17 of the Indenture shall have been satisfied.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

(Sign exactly as your name appears  
on the other side of this Note)

Signature Guarantee: \_\_\_\_\_

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: \_\_\_\_\_

NOTICE: To be executed by  
an executive officer



[TO BE ATTACHED TO GLOBAL SECURITIES]

## SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

<TABLE>  
<CAPTION>  
<S>  
Date of  
of au-  
Exchange  
officer  
  
  
  
</TABLE>

|   |  |  |  |
|---|--|--|--|
| <C><br>Amount of<br>decrease in<br>Principal<br>Amount of this<br>Global Security | <C><br>Amount of increase<br>in Principal Amount<br>of this Global<br>Security | <C><br>Principal amount of<br>this Global Security<br>following such<br>decrease or increase | <C><br>Signature<br>thorized<br>of Trust or<br>Securities<br>Custodian |
|---|--|--|--|

## OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.6 or 4.8 of the Indenture, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.6 or 4.8 of the Indenture, state the amount: \$

Date: \_\_\_\_\_ Your Signature: \_\_\_\_\_

Sign exactly as your name appears on  
the other side of this Security.

Signature Guarantee: \_\_\_\_\_

(Signature must be guaranteed)

[FORM OF GUARANTEE]

For value received, the undersigned hereby unconditionally guarantees, as principal obligor and not only as a surety, to the Holder of this Note the cash payments in United States dollars of principal of, premium, if any, and interest on this Note (and including Additional Interest payable thereon) in the amounts and at the times when due and interest on the overdue principal, premium, if any, and interest, if any, of this Note, if lawful, and the payment or performance of all other obligations of the Company under the Indenture or the Notes, to the Holder of this Note and the Trustee, all in accordance with and subject to the terms and limitations of this Note, Article Ten of the Indenture and this Guarantee. This Guarantee will become effective in accordance with Article Ten of the Indenture and its terms shall be evidenced therein. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture dated as of October 29, 1997, among International Logistics Limited, a Delaware corporation, the Subsidiary Guarantors named therein and First Trust National Association, as trustee (the "Trustee"), as amended or supplemented (the "Indenture").

The obligations of the undersigned to the Holders of Notes and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Ten of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee and all of the other provisions of the Indenture to which this Guarantee relates.

THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. Each Subsidiary Guarantor hereby agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Guarantee.

This Guarantee is subject to release upon the terms set forth in the Indenture.

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IN WITNESS WHEREOF, each Subsidiary Guarantor has caused its Guarantee to be duly executed.

Date:

THE BEKINS COMPANY

By

-----  
Name:

Title:

LEP PROFIT INTERNATIONAL, INC.

By \_\_\_\_\_

Name:

Title:

ILLCAN, INC.

By \_\_\_\_\_

Name:

Title:

ILLSCOT, INC.

By \_\_\_\_\_

Name:

Title:

MATRIX INTERNATIONAL LOGISTICS, INC.

By \_\_\_\_\_

Name:

Title:

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LIW HOLDINGS CORP.

By \_\_\_\_\_

Name:

Title:

BEKINS VAN LINES CO.

By \_\_\_\_\_

Name:

Title:

LEP FAIRS, INC.

By \_\_\_\_\_

Name:

Title:

AIR FREIGHT CONSOLIDATORS INTERNATIONAL,  
INC.

By \_\_\_\_\_

Name:

Title:

BAY AREA MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

L.A. MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

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SOUTHWEST MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

MATRIX CT., INC.

By \_\_\_\_\_

Name:

Title:

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EXHIBIT B

[FORM OF FACE OF EXCHANGE SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

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INTERNATIONAL LOGISTICS LIMITED

\$110,000,000

9 3/4% Senior Notes Due 2007

No. CUSIP No.

INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation, promises to pay to , or registered assigns, the principal sum of Dollars on October 15, 2007.

Interest Payment Dates: April 15 and October 15.

Record Dates: April 1 and October 1.

Additional provisions of this Security are set forth on the reverse side of this Security.

INTERNATIONAL LOGISTICS LIMITED

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

Dated: , 1997

TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION

FIRST TRUST NATIONAL ASSOCIATION, as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

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By:

-----  
Authorized Signatory

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FORM OF REVERSE SIDE OF EXCHANGE SECURITY

9 3/4% SENIOR NOTE DUE 2007

1. INTEREST

INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation (such entity, and its successors and assigns under the Indenture hereinafter referred to, and each other entity which is required to become the Company pursuant to the Indenture, and its successors and assigns under the Indenture, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semiannually on April 15 and October 15 of each year, commencing April 15, 1998. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from, October 29, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal at the rate borne by the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

## 2. METHOD OF PAYMENT

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the record date immediately preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; PROVIDED, HOWEVER, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

## 3. PAYING AGENT AND REGISTRAR

Initially, FIRST TRUST NATIONAL ASSOCIATION, a National banking corporation ("Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company may act as Paying Agent, Registrar, co-Registrar or transfer agent.

## 4. INDENTURE

The Company issued the Securities under an Indenture dated as of October 29, 1997 (the "Indenture"), among the Company, the Subsidiary Guarantors named therein and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms. Any conflict between this Security and the Indenture will be governed by the Indenture.

The Securities are general unsecured senior obligations of the Company limited to \$110,000,000 aggregate principal amount (subject to Section 2.7 of

the Indenture). The Indenture imposes certain limitations on the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries, the existence of liens, the payment of dividends on, and redemption of, the Capital Stock of the Company and its Subsidiaries, restricted payments, the sale or transfer of assets and Subsidiary stock, the issuance or sale of Capital Stock of Restricted Subsidiaries, sale and leaseback transactions, the investments of the Company and its Restricted Subsidiaries, consolidations, mergers and transfers of all or substantially all the assets of the Company, and transactions with Affiliates. In addition, the Indenture limits the ability of the Company and certain of its Subsidiaries to restrict distributions and dividends from Restricted Subsidiaries.

## 5. OPTIONAL REDEMPTION

Except as set forth in the next paragraph, the Securities may not be redeemed prior to October 15, 2002. On and after that date, the Company may redeem as provided in, and subject to the terms of, the Indenture the Securities in whole or in part, at any time or from time to time, at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date) if redeemed during the 12-month period commencing on October 15 of the years set forth below:

| Period<br>-----               | Percentage<br>----- |
|-------------------------------|---------------------|
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| 2002 . . . . .                | 104.875%            |
| 2003 . . . . .                | 103.250%            |
| 2004 . . . . .                | 101.625%            |
| 2005 and thereafter . . . . . | 100.000%            |

In addition, at any time and from time to time prior to October 15, 2000 the Company may redeem in the aggregate up to 35% of the principal amount of the Securities with the proceeds of one or more Public Equity Offerings, at a redemption price (expressed as a percentage of principal amount) of 109.75% plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture; PROVIDED, HOWEVER, that at least \$71.5 million aggregate principal amount of the Securities must remain outstanding after each such redemption.

## 6. NOTICE OF REDEMPTION

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000. If money sufficient to pay the redemption price of and



accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption. If a notice or communication is sent in the manner provided in the Indenture, it is duly given, whether or not the addressee receives it. Failure to send a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

In addition, in the event of certain Asset Dispositions, the Company will be required to make an offer to purchase Securities at a purchase price of 100% of their principal amount plus accrued interest to the date of purchase (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

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## 7. CHANGE OF CONTROL

Upon a Change of Control, each Holder of Securities will have the right to require the Company to repurchase all or any part of the Securities of such Holder at a repurchase price in cash equal to 101% of the principal amount of the Securities to be repurchased plus accrued and unpaid interest to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

## 8. DENOMINATIONS; TRANSFER; EXCHANGE

The Securities are in registered form without coupons in denominations of \$1,000 and whole multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture, including any transfer tax or other similar governmental charge payable in connection therewith. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

## 9. PERSONS DEEMED OWNERS

The registered Holder of this Security may be treated as the owner of it for all purposes.

## 10. UNCLAIMED MONEY

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look

only to the Company and not to the Trustee for payment.

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#### 11. DISCHARGE AND DEFEASANCE

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

#### 12. AMENDMENT, WAIVER

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the consent of the Holders of at least a majority in principal amount outstanding of the Securities and (ii) any past default or compliance with any provision may be waived with the consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, to comply with Article 5 of the Indenture, to provide for uncertificated Securities in addition to or in place of certificated Securities, to add guarantees with respect to the Securities, to secure the Securities, to add additional covenants or surrender rights and powers conferred on the Company, to make any change that does not adversely affect the rights of any Securityholder or to comply with any request of the SEC in connection with qualifying the Indenture under the TIA.

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#### 13. DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest on the Securities; (ii) default in payment of principal on any Security when due at its Stated Maturity, upon redemption pursuant to paragraphs 5 or 6 above, upon required repurchase, upon acceleration or otherwise, (iii) failure by the Company to comply with Article 5 of the Indenture; (iv) failure by the Company to comply for 30 days after the notice specified in the paragraph below with Section 4.3, 4.4, 4.6, 4.8 or 4.13 (other than a failure to purchase Securities when required under Section 4.8) of the Indenture; (v) failure of the Company to comply for 60 days after the Company receives the notice specified in the paragraph below with any of its other agreements in the Indenture (other than those referred to in (i), (ii), (iii) or (iv) above); (vi) failure by the Company or any Significant Subsidiary to pay any Indebtedness within any applicable grace period after final maturity or acceleration by the Holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds \$10.0 million; (vii) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary; and (viii) the rendering of any judgments or decrees for

the payment of money in excess of \$10.0 million or its foreign equivalent at the time is entered against the Company or any Significant Subsidiary if such judgment or decree remains outstanding for a period of 60 days following entry of such judgment and is not discharged, bonded, waived or stayed within 30 days after notice thereof.

A Default under clause (iv) or (v) of Section 6.1 of the Indenture will not constitute an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities then outstanding may declare all the Securities to be due and payable. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the

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Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

#### 14. TRUSTEE DEALINGS WITH THE COMPANY

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or any of its Affiliates and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee.

#### 15. GUARANTEE

The obligations of the Company pursuant to the Securities, including the repurchase obligations resulting from a Change of Control, will be unconditionally guaranteed, on a senior unsecured basis, by each Subsidiary Guarantor.

#### 16. NO RECOURSE AGAINST OTHERS

No recourse for the payment of the principal of, premium, if any, or interest on any of the Securities or for any claim based thereon or otherwise in

respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Securities or because of the creation of any Indebtedness represented hereby and thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Successor Person thereof. Each Holder, by accepting a Security, waives and releases all such liability.

#### 17. HOLDER'S COMPLIANCE WITH REGISTRATION RIGHTS AGREEMENT.

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

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#### 18. GOVERNING LAW

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICT OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

#### 19. AUTHENTICATION

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

#### 20. ABBREVIATIONS

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= custodian), and U/G/M/A (= Uniform Gift to Minors Act).

#### 21. CUSIP NUMBERS

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and have directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

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The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made as follows:

If to the Company:

International Logistics Limited  
330 S. Mannheim Road  
Hillside, Illinois 60162  
Attention: Chief Financial Officer

If to the Trustee:

First Trust National Association  
180 East Fifth Street  
St. Paul, Minnesota 55101  
Attention: Corporate Trust Trustee Administration

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#### ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

-----  
(Print or type assignee's name, address and zip code)

-----  
(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint \_\_\_\_\_ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_ Your Signature: \_\_\_\_\_  
-----  
Sign exactly as your name appears on  
the other side of this Security.

Signature Guarantee: \_\_\_\_\_  
-----  
(Signature must be guaranteed)

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[FORM OF GUARANTEE]

For value received, the undersigned hereby unconditionally guarantees, as principal obligor and not only as a surety, to the Holder of this Note the cash payments in United States dollars of principal of, premium, if any, and interest on this Note (and including Additional Interest payable thereon) in the amounts and at the times when due and interest on the overdue principal, premium, if any, and interest, if any, of this Note, if lawful, and the payment or performance of all other obligations of the Company under the Indenture or the Notes, to the Holder of this Note and the Trustee, all in accordance with and subject to the terms and limitations of this Note, Article Ten of the Indenture and this Guarantee. This Guarantee will become effective in accordance with Article Ten of the Indenture and its terms shall be evidenced therein. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture dated as of October 29, 1997, among International Logistics Limited, a Delaware corporation, the Subsidiary Guarantors named therein and First Trust National Association, as trustee (the "Trustee"), as amended or supplemented (the "Indenture").

The obligations of the undersigned to the Holders of Notes and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Ten of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee and all of the other provisions of the Indenture to which this Guarantee relates.

THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. Each Subsidiary Guarantor hereby agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Guarantee.

This Guarantee is subject to release upon the terms set forth in the Indenture.

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IN WITNESS WHEREOF, each Subsidiary Guarantor has caused its Guarantee to be duly executed.

Date:

THE BEKINS COMPANY

By

-----  
Name:

Title:

LEP PROFIT INTERNATIONAL, INC.

By

-----  
Name:

Title:

ILLCAN, INC.

By

-----  
Name:

Title:

ILLSCOT, INC.

By

-----  
Name:

Title:

MATRIX INTERNATIONAL LOGISTICS, INC.

By

-----  
Name:

Title:

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LIW HOLDINGS CORP.

By

-----  
Name:

Title:

BEKINS VAN LINES CO.

By

-----  
Name:

Title:

LEP FAIRS, INC.

By

-----  
Name:

Title:

AIR FREIGHT CONSOLIDATORS INTERNATIONAL,  
INC.

By \_\_\_\_\_

Name:

Title:

BAY AREA MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

L.A. MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

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SOUTHWEST MATRIX, INC.

By \_\_\_\_\_

Name:

Title:

MATRIX CT., INC.

By \_\_\_\_\_

Name:

Title:

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#### OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.6 or 4.8 of the Indenture, check the box:

If you want to elect to have only part of this Security purchased by



the Company pursuant to Section 4.6 or 4.8 of the Indenture,  
state the amount: \$

Date: \_\_\_\_\_ Your Signature: \_\_\_\_\_  
Sign exactly as your name appears on  
the other side of this Security.

Signature Guarantee: \_\_\_\_\_  
(Signature must be guaranteed)

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\$110,000,000

INTERNATIONAL LOGISTICS LIMITED

9 3/4% SENIOR NOTES DUE 2007

REGISTRATION RIGHTS AGREEMENT

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October 29, 1997

CREDIT SUISSE FIRST BOSTON CORPORATION

BT ALEX. BROWN INCORPORATED  
SMITH BARNEY INC.  
ING BARING (U.S.) SECURITIES, INC.  
c/o Credit Suisse First Boston Corporation  
Eleven Madison Avenue  
New York, New York 10010-3629

Ladies and Gentlemen:

This Registration Rights Agreement is dated as of October 29, 1997 among International Logistics Limited, a Delaware corporation (the "Company"), as issuer, the Subsidiary Guarantors listed on the signature pages hereto, as guarantors (the "Guarantors," and together with the Company, the "Issuers"), and Credit Suisse First Boston Corporation, BT Alex. Brown Incorporated, Smith Barney Inc. and ING Baring (U.S.) Securities, Inc. (collectively, the "Initial Purchasers"). The Company proposes to issue and sell to the Initial Purchasers, upon the terms set forth in a purchase agreement dated October 24, 1997 (the "Purchase Agreement"), \$110,000,000 aggregate principal amount of its 9 3/4% Senior Notes Due 2007 (the "Initial Securities"). The Initial Securities will be issued pursuant to an Indenture, dated as of October 29, 1997, (the "Indenture") among the Company, the Guarantors and First Trust National Association (the "Trustee"). As an inducement to the Initial Purchasers, the Issuers agree with the Initial Purchasers, for the benefit of the holders of the Initial Securities (including, without limitation, the Initial Purchasers), the Exchange Securities (as defined below) and the Private Exchange Securities (as defined below) (collectively, the "Holders"), as follows:

1. REGISTERED EXCHANGE OFFER. The Issuers shall, at their own cost, prepare and, not later than 60 days after (or if the 60th day is not a business day, the first business day thereafter) the date of original issue of the Initial Securities (the "Issue Date"), file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the Holders of Transfer Restricted Securities (as defined in Section 6 hereof), who are not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of debt securities (the "Exchange Securities") of the Company,

guaranteed by the Guarantors, and issued under the Indenture and identical in all material respects to the Initial Securities (except for the transfer restrictions relating to the Initial Securities and the provisions relating to the matters described in Section 6 hereof) that would be registered under the Securities Act. The Issuers shall use all reasonable efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 195 days (or if the 195th day is not a business day, the first

business day thereafter) after the Issue Date of the Initial Securities and shall keep the Exchange Offer Registration Statement effective for not less than 30 days (or longer, if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the Holders (such period being called the "Exchange Offer Registration Period").

If the Issuers effect the Registered Exchange Offer, the Issuers will be entitled to close the Registered Exchange Offer 30 days after the commencement thereof provided that the Issuers have accepted all the Initial Securities theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Issuers shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of Transfer Restricted Securities (as defined in Section 6 hereof) electing to exchange the Initial Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Issuers within the meaning of the Securities Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States.

The Issuers acknowledge that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, in the absence of an applicable exemption therefrom, (i) each Holder which is a broker-dealer electing to exchange Initial Securities, acquired for its own account as a result of market making activities or other trading activities, for Exchange Securities (an "Exchanging Dealer"), is required to deliver a prospectus containing the information set forth in (a) Annex A hereto on the cover of such prospectus, (b) Annex B hereto in the "Exchange Offer Procedures" section and the

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"Purpose of the Exchange Offer" section of such prospectus, and (c) Annex C hereto in the "Plan of Distribution" section of such prospectus in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer and (ii) an Initial Purchaser that elects to sell Exchange Securities acquired in exchange for Initial Securities constituting any portion of an unsold allotment is required to deliver a prospectus containing the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in connection with such sale.

The Issuers shall use their best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Securities (which period shall not exceed one year from the date on which the Exchange Offer Registration Statement is declared effective); provided, however, that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer or an Initial Purchaser, such period shall be the lesser of 180 days and the period ending on the date on which all Exchanging Dealers and the Initial Purchasers have sold all Exchange Securities held by them (unless such period is extended pursuant to Section 3(j) below) and (ii) the Issuers shall make such prospectus and any amendment or supplement thereto, available to any broker-dealer for use in connection with any resale of any Exchange Securities for a period of not less than 90 days after the consummation of the Registered Exchange Offer.

If, upon consummation of the Registered Exchange Offer, any Initial Purchaser holds Initial Securities acquired by it as part of its initial distribution, the Issuers, simultaneously with the delivery of the Exchange Securities pursuant to the Registered Exchange Offer, shall issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange (the "Private Exchange") for the Initial Securities held by such Initial Purchaser, a like principal amount of debt securities of the Company, guaranteed by the Guarantors, and issued under the Indenture and identical in all material respects (including the existence of restrictions on transfer under the Securities Act and the securities laws of the several states of the United States, but excluding provisions relating to the matters described in Section 6 hereof) to the Initial Securities (the "Private Exchange Securities"). The Initial Securities, the Exchange Securities and the Private Exchange Securities are herein collectively called the "Securities."

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In connection with the Registered Exchange Offer, the Issuers shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date notice thereof is mailed to the Holders;

(c) utilize the services of a depository for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate of the Trustee;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer or the Private Exchange, as the case may be, the Issuers shall:

(x) accept for exchange all the Securities validly tendered and not withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(y) deliver to the Trustee for cancellation all the Initial Securities so accepted for exchange; and

(z) cause the Trustee to authenticate and deliver promptly to each Holder of the Initial Securities, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount to the Initial Securities of such Holder so accepted for exchange.

The Indenture will provide that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture and that all the Securities will vote and consent together on all matters as one class and that none of the Securities will have the right to vote or consent as a class separate from one another on any matter.

Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in

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the Private Exchange will accrue from the last interest payment date on which interest was paid on the Initial Securities surrendered in exchange therefor or, if no interest has been paid on the Initial Securities, from the date of original issue of the Initial Securities.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Issuers that at the time of the consummation of the Registered Exchange Offer (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of business, (ii) such Holder will have no arrangements or understanding with any person to participate in the distribution of the Securities within the meaning of the Securities Act, (iii) such Holder is not an "affiliate," as defined in Rule 405 of the Securities Act, of the Company or any Guarantor or if it is an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities and (v) if such Holder is a

broker-dealer, that it will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities.

Notwithstanding any other provisions hereof, the Issuers will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. SHELF REGISTRATION. If, (i) because of any change in law or in applicable interpretations thereof by the staff of the Commission, the Issuers are not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not consummated within 230 days of the Issue Date or (iii) any Holder notifies the

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Issuers within 30 days after commencement of the Registered Exchange Offer that such holder (x) is prohibited by applicable law or SEC policy from participating in the Registered Exchange Offer, (y) may not resell Exchange Notes acquired by it to the public without delivery of a prospectus and that the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (z) is a broker-dealer and holds Notes acquired directly from the Issuers or an affiliate of the Issuers, then in lieu of conducting the Registered Exchange Offer, the Issuers shall take the following actions:

(a) The Issuers shall, at their cost, as promptly as practicable (but in no event more than 60 days after so required or requested pursuant to this Section 2) file with the Commission and thereafter shall use all reasonable efforts to cause to be declared effective a registration statement (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, a "Registration Statement") on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities (as defined in Section 6 hereof) by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "Shelf Registration"); provided,

however, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Issuers shall use all reasonable efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, for a period of two years (or for such longer period if extended pursuant to Section 3(j) below) from the Issue Date or such shorter period that will terminate when all the Securities covered by the Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer restricted securities (as defined in Rule 144 under the Securities Act, or any successor rule thereof). The Issuers shall be deemed not to have used their best efforts to keep the Shelf Registration Statement effective during the requisite period if they voluntarily take any action that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless such action is required by applicable law.

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(c) Notwithstanding any other provisions of this Agreement to the contrary, the Issuers shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. REGISTRATION PROCEDURES. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Issuers shall (i) furnish to each Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that an Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Registered Exchange Offer or the Shelf Registration Statement, the Issuers shall use their best efforts to reflect in each such document, when so filed with the Commission, such comments as such Initial Purchaser may reasonably propose; (ii) include the information set forth in Annex A hereto on the cover of such Registration Statement, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose



of the Exchange Offer" section of such Registration Statement and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; (iii) if requested by an Initial Purchaser, include the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement; (iv) include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers, which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of

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1934, as amended (the "Exchange Act")) of Exchange Securities received by such broker-dealer in the Registered Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchasers based upon advice of counsel (which may be in-house counsel), represent the prevailing views of the staff of the Commission; and (v) in the case of a Shelf Registration Statement, include the names of the Holders, who propose to sell Securities pursuant to the Shelf Registration Statement, as selling securityholders.

(b) If a Shelf Registration Statement is filed pursuant to Section 2 hereof or a prospectus contained in an Exchange Registration Statement is required to be delivered by a Participating Broker-Dealer, the Issuers shall give written notice to the Initial Purchasers, the Holders of the Securities and any Participating Broker-Dealer from whom the Issuers have received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer (which notice pursuant to clauses (ii) - (v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Registration Statement or any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or any Guarantor or its respective legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Issuers to make changes in the Registration Statement or the prospectus in order that the Registration Statement or

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the prospectus do not contain an untrue statement of a material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading.

(c) The Issuers shall make every reasonable effort to obtain the withdrawal at the earliest practicable time, of any order suspending the effectiveness of the Registration Statement.

(d) The Issuers shall furnish to each Holder of Securities included within the coverage of the Shelf Registration, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Issuers shall deliver to each Exchanging Dealer and each Initial Purchaser, and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if any Initial Purchaser or any such Holder requests, all exhibits thereto (including those incorporated by reference).

(f) The Issuers shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. Subject to the second sentence of Subsection (j) of this Section 3, the Issuers consent, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Issuers shall deliver to each Initial Purchaser, any

Exchanging Dealer, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably

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request. The Issuers consent, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by any Initial Purchaser, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Securities covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Securities, pursuant to any Registration Statement, the Issuers shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things reasonably necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by such Registration Statement; provided, however, that the Issuers shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) The Issuers shall cooperate with the Holders of the Securities to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Registration Statement.

(j) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 3(b) above during the period for which the Issuers are required to maintain an effective Registration Statement, the Issuers shall promptly prepare and file a post-effective amendment to the Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders of the Securities or purchasers of Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Issuers

notify the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer in accordance with paragraphs (ii) through (v) of Section 3(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchasers, the Holders of the Securities and any such Participating Broker-Dealers shall agree, by accepting such Securities, to suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Issuers will provide a CUSIP number for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Issuers.

(l) The Issuers use its best efforts to comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover such 12-month period.

(m) The Issuers shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Issuers shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(n) The Issuers may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Issuers such information regarding the Holder and the distribution of the Securities as

the Issuers may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Issuers may exclude from such registration the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(o) The Issuers shall enter into such customary agreements (including, if requested, an underwriting agreement in customary form) and take all such other action, if any, as any Holder of the Securities shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Issuers shall (i) make reasonably available for inspection by the Holders of the Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Securities or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Issuers and (ii) cause the Issuers' officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders of the Securities or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as shall be reasonably necessary to enable such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchasers by Credit Suisse First Boston Corporation and on behalf of the other parties, by one counsel designated by and on behalf of such other parties as described in Section 4 hereof. Each selling Holder of such Transfer Restricted Securities or any underwriter participating in any disposition pursuant to such Registration Statement agrees that such information pertaining to the Issuers obtained by it shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Company unless and until such information is made generally available to the public.

(q) In the case of any Shelf Registration, the Issuers, if requested by any Holder of Securities covered thereby, shall cause (i) its counsel to deliver an opinion

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and updates thereof relating to the Securities in customary form addressed to such Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Shelf Registration Statement (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Issuers and their respective subsidiaries; the qualification of the Company and each Guarantor and their respective

subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 3(o) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities; the absence of material legal or governmental proceedings involving the Company and its subsidiaries and each Guarantor; the absence of governmental approvals required to be obtained in connection with the Shelf Registration Statement, the offering and sale of the applicable Securities, or any agreement of the type referred to in Section 3(o) hereof; the compliance as to form of such Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively; and, relying as to materiality to a large extent on certificates and other representations of the Company and without independent check or verification thereof, no facts came to such counsel's attention that caused such counsel to believe that, as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from any documents incorporated by reference therein contained an untrue statement of a material fact or omitted to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act) (without limiting the foregoing, such counsel may further state that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes, schedules and other financial data included in the Shelf Registration Statement as contemplated by this Agreement or the prospects included therein; (ii) its officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities and (iii) its

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independent public accountants and the independent public accountants with respect to any other entity for which financial information is provided in the Shelf Registration Statement to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(r) In the case of the Registered Exchange Offer, if requested by any Initial Purchaser or any known Participating Broker-Dealer, the Issuers shall cause (i) their counsel to deliver to such Initial Purchaser or such Participating Broker-Dealer a signed opinion in the form set forth in



Section 6(c)-(d) of the Purchase Agreement with such changes as are customary in connection with the preparation of a Registration Statement and (ii) their independent public accountants and the independent public accountants with respect to any other entity for which financial information is provided in the Registration Statement to deliver to such Initial Purchaser or such Participating Broker-Dealer a comfort letter, in customary form, meeting the requirements as to the substance thereof as set forth in Section 6(a) and (g) of the Purchase Agreement, with appropriate date changes.

(s) If a Registered Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Initial Securities by Holders to the Company (or to such other Person as directed by the Company) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Issuers shall mark, or caused to be marked, on the Initial Securities so exchanged that such Initial Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall the Initial Securities be marked as paid or otherwise satisfied.

(t) The Issuers will use their best efforts to (a) if the Initial Securities have been rated prior to the initial sale of such Initial Securities, confirm such ratings will apply to the Securities covered by a Registration Statement, or (b) if the Initial Securities were not previously rated, cause the Securities covered by a Registration Statement to be rated with the appropriate rating agencies, if so requested by Holders of a majority in aggregate principal amount of Securities covered by such Registration Statement, or by the managing underwriters, if any.

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(u) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "Rules") of the National Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Issuers will use its best efforts assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (iii) providing such

information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(v) The Issuers shall use their best efforts to take all other steps necessary to effect the registration of the Securities covered by a Registration Statement contemplated hereby.

4. REGISTRATION EXPENSES. The Issuers shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof (including the reasonable fees and expenses, if any, of Cahill Gordon & Reindel, counsel for the Initial Purchasers, incurred in connection with the Registered Exchange Offer), whether or not the Registered Exchange Offer or a Shelf Registration is filed or becomes effective, and, in the event of a Shelf Registration, shall bear or reimburse the Holders of the Securities covered thereby for the reasonable fees and disbursements of one firm of counsel designated by the Holders of a majority in principal amount of the Initial Securities covered thereby to act as counsel for the Holders of the Initial Securities in connection therewith.

5. INDEMNIFICATION. (a) The Issuers agree to indemnify and hold harmless each Holder of the Securities, any Participating Broker-Dealer and each person, if any, who controls such Holder or such Participating Broker-Dealer within the meaning of the Securities Act or the Exchange Act (each Holder,

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any Participating Broker-Dealer and such controlling persons are referred to collectively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action in respect thereof, provided, however, that (i) the Issuers shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Issuers by or on behalf of such Holder specifically for



inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to a Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder or Participating Broker-Dealer from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder or Participating Broker-Dealer under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder or Participating Broker-Dealer results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Issuers had previously furnished copies thereof to such Holder or Participating Broker-Dealer; provided further, however, that this indemnity agreement will be in addition to any liability which the Issuers may otherwise have to such Indemnified Party. The Issuers shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities

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Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders of the Securities if requested by such Holders.

(b) Each Holder of the Securities, severally and not jointly, will indemnify and hold harmless the Issuers and their respective directors and officers and each person, if any, who controls the Issuers (within the meaning of the Securities Act or the Exchange Act) from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Issuers or any such controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Issuers by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Issuers for any legal or other expenses reasonably incurred by them or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Issuers or any of their controlling persons.

(c) Promptly after receipt by an indemnified party under this

Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not,

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except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action.

(d) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the exchange of the Securities, pursuant to the Registered Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers on the one hand or such Holder or such other indemnified party, as the case may be, on the other,

and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 5(d), the Holders of the

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Securities shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Issuers within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Issuers.

(e) The agreements contained in this Section 5 shall survive the sale of the Securities pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

6. ADDITIONAL INTEREST UNDER CERTAIN CIRCUMSTANCES. (a) Additional interest (the "Additional Interest") with respect to the Initial Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (iii) below a "Registration Default"):

(i) If by December 28, 1997, the Exchange Offer Registration Statement has not been filed with the Commission;

(ii) If by June 16, 1998, the Registered Exchange Offer has not been consummated or, if required in lieu thereof by August 5, 1998, the Shelf Registration Statement has not been declared effective by the Commission;  
or

(iii) If after either the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective (A) such Registration Statement thereafter ceases to be effective; or (B) such Registration Statement or the related prospectus ceases to be usable (except as permitted in paragraph (b)) in connection with resales of Transfer Restricted Securities during the periods specified herein because either

(1) any event occurs as a result of which the related prospectus forming part of such Registration Statement would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under

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which they were made not misleading, or (2) it shall be necessary to amend such Registration Statement or supplement the related prospectus, to comply with the Securities Act or the Exchange Act or the respective rules thereunder.

Additional Interest shall accrue on the Initial Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured at a rate of 0.25% per annum during the 90-day period following the date on which such Registration Default has occurred, which rate shall increase by 0.25% per annum for each subsequent 90-day period; PROVIDED, HOWEVER, that the rate at which Additional Interest accrues shall not exceed 1.0% per annum.

(b) A Registration Default referred to in Section 6(a)(iii)(B) hereof shall be deemed not to have occurred and be continuing in relation to a Shelf Registration Statement or the related prospectus if (i) such Registration Default has occurred solely as a result of (x) the filing of a post-effective amendment to such Shelf Registration Statement to incorporate annual audited financial information with respect to the Issuers where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (y) other material events, with respect to the Issuers that would need to be described in such Shelf Registration Statement or the related prospectus and (ii) in the case of clause (y), the Issuers are proceeding promptly and in good faith to amend or supplement such Shelf Registration Statement and related prospectus to describe such events; provided, however, that in any case if such Registration Default occurs for a continuous period in excess of 30 days, Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured.

(c) Any amounts of Additional Interest Due pursuant to clause (i), (ii) or (iii) of Section 6(a) above will be payable in cash on the regular interest payment dates with respect to the Initial Securities. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the principal amount of the Initial Securities, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

(d) "Transfer Restricted Securities" means each Security until (i) the date on which such Transfer Restricted

Security has been exchanged by a person other than a broker-dealer for a freely transferable Exchange Security in the Registered Exchange Offer, (ii) following the exchange by a broker-dealer in the Registered Exchange Offer of a Initial Security for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Initial Security has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Initial Securities are distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act or another applicable resale exemption under the Securities Act.

7. RULES 144 AND 144A. The Company shall use its best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Initial Securities, make publicly available other information so long as necessary to permit sales of their securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Initial Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Initial Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144A(d)(4)). The Company will provide a copy of this Agreement to prospective purchasers of Initial Securities identified to the Company by the Initial Purchasers upon request. Upon the request of any Holder of Initial Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

8. UNDERWRITTEN REGISTRATIONS. If any of the Transfer Restricted Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering ("Managing Underwriters") will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities to be included in such offering and shall be reasonably satisfactory to the Company. The Company shall pay all fees and expenses of such investment bankers' and managers' only to the extent specifically provided in Section 4. In no event shall the Company be

responsible for paying any underwriting discounts or commissions in connection

with such underwritten offering.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. MISCELLANEOUS.

(a) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of the Holders of a majority in principal amount of the Securities affected by such amendment, modification, supplement, waiver or consents. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(b) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, facsimile transmission, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Company.

(2) if to any Initial Purchaser;

c/o Credit Suisse First Boston Corporation  
Eleven Madison Avenue  
New York, NY 10010-3629  
Fax No.: (212) 325-8278  
Attention: Transactions Advisory Group

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with a copy to:

Cahill Gordon & Reindel  
80 Pine Street  
New York, New York 10005  
Fax No.: (212) 269-5420  
Attention: James J. Clark, Esq.

(3) if to the Issuers, at the following address:

330 South Mannheim Road, Suite 220  
Hillside, Illinois 60162  
Fax No.: (708) 547-4524  
Attention: Chief Executive Officer

with a copy to:

Milbank, Tweed, Hadley & McCloy  
601 South Figueroa Street  
Los Angeles, California 90017  
Fax No.: (213) 629-5063  
Attention: Eric Schunk, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(c) NO INCONSISTENT AGREEMENTS. None of the Issuers have, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to their securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(d) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon (i) the successors and assigns of each of the parties to this Agreement, without the need for an express assignment and (ii) subsequent Holders of Securities.

(e) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

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(f) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(h) SEVERABILITY. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal



or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(i) ENTIRE AGREEMENT. This Agreement, together with the Indenture and the Purchase Agreement, is intended by the parties to be a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Transfer Restricted Securities. This agreement supersedes all prior agreements and undertakings between the parties with respect to the subject matter contained herein.

(j) SECURITIES HELD BY THE COMPANY. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the several Initial Purchasers and the Company in accordance with its terms.

Very truly yours,

THE COMPANY:

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INTERNATIONAL LOGISTICS LIMITED

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: President and Chief  
Executive Officer

THE GUARANTORS:

THE BEKINS COMPANY



By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: President and Chief  
Executive Officer

LEP PROFIT INTERNATIONAL, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Chairman of the Board

ILLCAN, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Chairman of the Board

ILLSCOT, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Chairman of the Board

MATRIX INTERNATIONAL LOGISTICS, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Chairman of the Board

LIW HOLDINGS CORP.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Chairman of the Board

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BEKINS VAN LINES CO.

By /s/ ROGER E. PAYTON

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Name: Roger E. Payton  
Title: Vice President

LEP FAIRS, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Vice President

AIR FREIGHT CONSOLIDATORS INTERNATIONAL, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Vice President

BAY AREA MATRIX, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Vice President

L.A. MATRIX, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Vice President

SOUTHWEST MATRIX, INC.

By /s/ ROGER E. PAYTON

-----  
Name: Roger E. Payton  
Title: Vice President

MATRIX CT., INC.

By /s/ ROGER E. PAYTON

Name: Roger E. Payton  
Title: Vice President

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The foregoing Registration  
Rights Agreement is hereby confirmed  
and accepted as of the date first  
above written.

CREDIT SUISSE FIRST BOSTON CORPORATION  
BT ALEX. BROWN INCORPORATED  
SMITH BARNEY INC.  
ING BARING (U.S.) SECURITIES, INC.

By: CREDIT SUISSE FIRST BOSTON CORPORATION,  
Acting on behalf of themselves and as the Representative of the several  
Initial Purchasers

By: /s/ MARK W. KENNELLEY

-----  
Name: Mark W. Kennelley  
Title: Director

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#### ANNEX A

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date (as defined herein), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

#### ANNEX B

Each broker-dealer that receives Exchange Securities for its own account in exchange for Securities, where such Initial Securities were acquired

by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. See "Plan of Distribution."

ANNEX C

## PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired as a result of market-making activities or other trading activities. The Issuers has agreed that, for a period of 180 days after the Expiration Date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 199 , all dealers effecting transactions in the Exchange Securities may be required to deliver a prospectus.(1)

The Issuers will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the

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(1) In addition, the legend required by Item 502(e) of Regulation S-K will appear on the back cover page of the Exchange Offer prospectus.

Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Issuers will

promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Issuers has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

ANNEX D

CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a

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prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

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December 18, 1997

International Logistics Limited  
330 South Mannheim Road  
Hillside, IL 60162

Re: REGISTRATION STATEMENT ON FORM S-4

Gentlemen:

We have examined the Registration Statement on Form S-4 filed by you with the Securities and Exchange Commission on December 18, 1997 (the "Registration Statement"), in connection with the registration of Senior Notes due 2007 (the "Notes") of International Logistics Limited (the "Company"). We have examined the Indenture, dated October 29, 1997 (the "Indenture"), between the Company, the Guarantors named therein and First Trust National Association, as Trustee (the "Trustee"), under which the Notes are to be issued in exchange for Senior Notes due 2007 of the Company which were issued under the Indenture on October 29, 1997 (the "Old Notes"). We are familiar with the proceedings heretofore taken by the Company in connection with the authorization, registration and issuance of the Notes in exchange for the Old Notes.

Subject to the proposed additional proceedings being taken as now contemplated by us as your counsel and as contemplated by the Indenture prior to the issuance of the Notes in exchange for the Old Notes, it is our opinion that the Notes will, upon the issuance of the Notes in exchange for the Old Notes in the manner referred to in the Registration Statement, constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or similar laws affecting creditors' rights generally and except as

International Logistics Limited  
December 18, 1997  
Page 2

the enforceability of the Notes is subject to the effect of general principles of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

We consent to the use of this opinion as an exhibit to the Registration Statement and to the reference to our name in the Registration Statement under "Legal Matters."

Respectfully submitted,

/s/ Milbank, Tweed, Hadley & McCloy

[EHS/TO]

### THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

This THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (this "AGREEMENT") is made and entered into as of September 30, 1997, by and between International Logistics Limited, a Delaware corporation (the "COMPANY"), and each of the Holders listed on EXHIBIT A hereto (singularly a "HOLDER" and collectively, the "HOLDERS").

#### W I T N E S S E T H

WHEREAS, each of the Holders have either purchased shares of the Common Stock (as defined herein) of the Company or were granted Warrants (as defined herein) to purchase shares of the Common Stock of the Company; and

WHEREAS, the Company and the Holders deem it to be in their best interests to provide for continuity in the control and operation of the Company to regulate certain of their rights in connection with their interests in the Company and to restrict the sale, assignment, transfer, encumbrance or other disposition of the Securities (as defined herein) to be issued to the Holders as contemplated hereby, and desire to enter into this Agreement in order to effectuate those purposes;

NOW, THEREFORE, in consideration of the agreements and mutual covenants set forth herein, the parties agree as follows:

SECTION 1. DEFINITIONS. As used in this Agreement, the following terms have the following meanings:

"ACCREDITED INVESTOR" shall have the meaning set forth for such term in Regulation D under the Securities Act.

"ACCREDITED OFFEREE" shall have the meaning set forth in SECTION 5(a).

"ACQUIROR" has the meaning assigned to such term in SECTIONS 6(b) AND 7.

"AFFILIATE" of a Holder means any Person which directly or indirectly controls, is controlled by, or is under common control with such Holder. "Control," "controlled by" and "under common control with" means direct or indirect possession of the power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); PROVIDED that control shall be conclusively presumed



when any Person or entity or affiliated group directly or indirectly owns ten percent (10%) or more of the securities having ordinary voting power for the election of a majority of the directors of a corporation.

"AGREEMENT" means this Agreement, as the same shall be amended from time to time.

"BANKS" mean, collectively, ING and Paribas.

"BOARD OF DIRECTORS" means the Board of Directors of the Company.

"BUSINESS DAY" means a day other than Saturday, Sunday or any other day on which banks located in the State of Illinois are authorized or obligated to close.

"CHARTER" OR "CERTIFICATE OF INCORPORATION" means the Amended and Restated Certificate of Incorporation of the Company as in effect immediately upon the Closing Date.

"CLOSING DATE" means November 7, 1996.

"COMMON STOCK" means the Company's Common Stock, \$0.001 par value per share.

"COMPANY" has the meaning assigned to such term in the preamble.

"COMPANY ACCEPTANCE NOTICE" has the meaning assigned to such term in SECTION 4(d)(i).

"COMPANY TRANSFEREE" has the meaning assigned to such term in SECTION 5(a).

"COMPANY TRANSFER NOTICE" has the meaning assigned to such term in SECTION 5(a).

"COMPANY TRANSFER SECURITIES" has the meaning assigned to such term in SECTION 5(a).

"EMPLOYEE STOCK PURCHASE PLAN" means the employee stock purchase plans adopted by the Board of Directors on May 1, 1996 and March 3, 1997.

"EXECUTIVE COMMITTEE" shall have the meaning ascribed to such term in SECTION 9(b).

"FAIR MARKET VALUE" shall mean the fair market value of the Company's Common Stock as determined by the Executive

Committee on a fully-distributed basis without regard to liquidity or size relative to the number of shares outstanding; PROVIDED that such valuation shall ascribe value to Warrants as the amount, if any, by which the value of the Common Stock underlying the warrant shall exceed the aggregate exercise price related thereto.

"FAMILY MEMBER" means any Holder's spouse, siblings, children, children's spouses, grandchildren or their spouses or any trusts for the benefit of any of the foregoing.

"FINANCIAL DEFAULT" shall mean with respect to the Company or any Subsidiary, any of the following: (i) the occurrence of a default under any indebtedness with a principal amount in excess of \$20 million (either individually or in the aggregate) to the extent that such default is not cured or waived within thirty (30) days; (ii) the acceleration of any indebtedness with a principal amount in excess of \$10 million (either individually or in the aggregate) to the extent not paid or rescinded within five (5) days; (iii) the imposition of any final and non-appealable judgments in excess of \$10 million (either individually or in the aggregate) to the extent not paid or rescinded within five (5) days; or (iv) the filing of any voluntary or involuntary bankruptcy petition with respect to the Company or any Subsidiary to the extent not withdrawn within five (5) days.

"FINANCIAL DEFAULT DISAGREEMENT" shall mean that, upon the occurrence of a Financial Default, the Board of Directors is unable to agree on the Company's course of action in response to a Financial Default.

"HOLDERS" has the meaning assigned to such term in the preamble.

"ING" means ING Capital (U.S.) Corporation.

"INITIAL PUBLIC OFFERING" means the first underwritten public offering of Common Stock by the Company pursuant to a registration of shares under the Securities Act on a Form S-1 Registration Statement (or equivalent or successor form).

"INTER VIVOS TRANSFEREE" has the meaning assigned to such term in SECTION 3(d).

"MANAGEMENT" means each Person set forth on EXHIBIT B attached hereto, as the same may be amended from time to time.

"MATRIX ACCEPTANCE NOTICE" has the meaning assigned to such term in SECTION 4(d)(ii).

"MATRIX HOLDERS" has the meaning assigned to such term in SECTION 4(d) (ii) .

"MATRIX OFFER" has the meaning assigned to such term in SECTION 4(d) (ii) .

"MYERS" means William E. Myers, Jr. and any Myers Affiliate.

"MYERS AFFILIATE" shall mean any (i) bona fide officer, director, shareholder or employee of W.E. Myers & Company reasonably acceptable to the Company, (ii) Family Member of any of the foregoing individuals and (iii) partnership, corporation, trust or other entity controlled by William E. Myers, Jr.

"OCM" means OCM Principal Opportunities Fund, L.P., a Delaware limited partnership.

"OCM AFFILIATES" means any investor in or any employee of OCM or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint venture, limited liability company, association or partnership of which OCM or Oaktree, is a shareholder, manager or general partner, as the case may be.

"OCM ENTITY" means either or both of TCW and OCM, as the context indicates.

"OCM ENTITY ACCEPTANCE NOTICE" has the meaning assigned to such term in SECTION 4(c) .

"OCM ENTITY FUNDING DEFAULT" means a circumstance whereby (i) an OCM Entity and WES&S have entered into a commitment to purchase Securities of the Company pursuant to a purchase agreement; (ii) such OCM Entity is in breach of its commitment to purchase such Securities; and (iii) WES&S ultimately completes its purchase under such purchase agreement.

"OCM ENTITY OFFER" has the meaning assigned to such term in SECTION 4(b) .

"OCM ENTITY PURCHASE DEFAULT" means an OCM Entity is in breach of its purchase obligation under an OCM Entity Acceptance Notice in connection with certain transfers of the WES&S Shares as set forth in SECTION 4.

"OCM ENTITY SHARES" means all the Securities now and hereafter held by OCM, any OCM Affiliate, TCW or any TCW Affiliate.

"OCM ENTITY TRANSFER TERMINATION EVENT" means the first to occur of

(i) a Qualified Public Offering, (ii) a Sell-Down Event, (iii) a WES&S Purchase Default, (iv) a WES&S Funding Default or (v) May 2, 2002.

"OFFER TO SELL" has the meaning assigned to such term in SECTION 5(b).

"OFFEREE" means, for the purposes of SECTION 4 hereof: (i) with respect to any proposed Transfer by an OCM Entity: WES&S; (ii) with respect to any proposed Transfer by WES&S: each OCM Entity; (iii) with respect to any proposed Transfer by each of Management, Myers or the Banks: the Company, each OCM Entity and WES&S, as applicable, and (iv) for the purposes of SECTION 4(d)(ii), with respect to any proposed Transfer by a Matrix Holder; the other nontransferring Matrix Holders.

"PARIBAS" means Banque Paribas and Paribas North America, Inc.

"PERMITTED TRANSFER" has the meaning assigned to such term in SECTION 3.

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

"PRO RATA" shall mean, with respect to any offer of shares of Common Stock or securities exercisable or convertible into shares of Common Stock, an offer based on the relative percentages of Securities then held by or issuable to all of the Holders to whom such offer is made.

"PUBLIC OFFERING" means any offering of Common Stock to the public, including the Initial Public Offering, either on behalf of the Company or any of its stockholders, pursuant to an effective registration statement under the Securities Act.

"PUBLIC TRANSFEREES" has the meaning assigned to such term in SECTION 2(c).

"QUALIFIED PUBLIC OFFERING" means a Public Offering wherein the aggregate offering proceeds are not less than \$30,000,000 (determined based on gross offering price paid to the Company at the closing of each such transaction for the offered securities).

"QUALIFIED SALE" shall mean (i) any sale of all or substantially all of the assets of the Company or (ii) any sale,

merger or liquidation of the Company with or into any entity other than to or with OCM, TCW, WES&S, an OCM Affiliate, a TCW Affiliate or a WES&S Affiliate whereby such entity or the holders of a majority of the voting stock thereof

shall obtain (A) at least a majority of the voting stock of the surviving entity and (B) the right to elect a majority of the surviving entity's board of directors.

"RE-OFFER ACCEPTANCE NOTICE" has the meaning assigned to such term in SECTION 4(d)(i).

"RE-OFFER NOTICE" has the meaning assigned to such term in SECTION 4(d)(i).

"REFUSAL NOTICE" has the meaning assigned to such term in SECTION 4(a).

"REFUSAL SECURITIES" has the meaning assigned to such term in SECTION 4(a).

"REFUSAL TRANSFEREE" has the meaning assigned to such term in SECTION 4(a).

"SECURITIES" shall mean the shares of Common Stock and any securities convertible or exercisable into shares of Common Stock, and whenever an amount of Securities is calculated or used in any provision of this Agreement, convertible or exercisable securities shall be counted as the number of shares of Common Stock issuable upon such conversion or exercise.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"SELL-DOWN EVENT" means an event, subject to SECTIONS 2, 3 AND 4, whereby WES&S sells or Transfers Securities (or an economic "capital interest" therein, whether directly or indirectly) to any Person; PROVIDED, HOWEVER, that the following Transfers shall not constitute a Sell-Down Event: (i) any Transfer made to a WES&S Affiliate or (ii) any Transfer made to any Person if (A) WES&S retains voting control of the Securities transferred to such Person and (B) the cumulative number of Securities so transferred (or the economic capital interest therein) by WES&S shall not exceed the Threshold Amount.

"SELLING HOLDERS" has the meaning assigned to it in SECTIONS 6(b) & 7.

"SIMON ENTITY" means Logistical Simon, L.L.C., a Delaware limited liability company, WESINVEST, Inc., a Delaware

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corporation or William E. Simon & Sons, L.L.C., a Delaware limited liability company.

"SUBSIDIARY" means any entity at least fifty percent (50%) owned or controlled either directly or indirectly by the Company or any of its

Subsidiaries.

"TCW" means TCW Special Credits Fund V - The Principal Fund, a California limited partnership,

"TCW AFFILIATE" means any investor in or any employee of TCW, TCW Asset Management Company, a California corporation ("TAMCO"), Trust Company of the West, a California trust company ("TRUSTCO") or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint venture, limited liability company, association or partnership of which TCW, TAMCO, Trustco or Oaktree, is a shareholder, manager or general partner, as the case may be.

"THRESHOLD AMOUNT" means thirty percent (30%) of the shares held by WES&S as of the Closing Date (excluding for the purpose of this calculation any shares owned by WES&S to the extent received upon the exercise of its Warrants or otherwise acquired from parties other than the Company).

"TRADING PRICE" means the trading price for each trading day: (a) if the Common Stock is traded on a national securities exchange, its last reported sale price on the preceding Business Day on such national securities exchange or, if there was no sale on that day, the last reported sale price on such national securities exchange on the next preceding Business Day on which there was a sale, all as made available over the Consolidated Last Sale Reporting System of the CTA Plan (the "CLSRS") or, if the Common Stock is not then eligible for reporting over the CLSRS, its last reported sale price on the preceding Business Day on such national securities exchange or, if there was no sale on that day, on the next preceding Business Day on which there was a sale on such exchange or (b) if the principal market for the Common Stock is the over-the-counter market, but the Common Stock is not then eligible for reporting over the CLSRS, but the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the last sale price reported on NASDAQ on the preceding Business Day or, if the Common Stock is an issue for which last sale prices are not reported on NASDAQ, the closing bid quotation on such day, but in each of the next preceding two cases, if the relevant NASDAQ price or quotation did not exist on such day, then the price or quotation on the next preceding Business Day in which there was such a price or quotation.

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"TRANSFER" has the meaning assigned to such term in SECTION 2(a).

"TRANSFER NOTICE" has the meaning assigned to such term in SECTIONS 6(b) & 7.

"TRANSFEROR" has the meaning assigned to such term in SECTION 4(a).

"VOTING TERMINATION EVENT" has the meaning assigned to such term in

SECTION 8(a).

"WARRANT(S)" means the Warrants exercisable into the Common Stock of the Company at either a fixed or variable priced exercise rate.

"WES&S" means Logistical Simon, L.L.C., a Delaware limited liability company, and for purposes of Sections 4(b) and 4(d)(i) only and only in the event that WES&S offers to acquire an amount of Refusal Securities, includes Myers; PROVIDED, HOWEVER, that should WES&S and Myers each offer to acquire an amount of Refusal Securities (as defined in Section 4(a) hereof) that is oversubscribed pursuant to such Sections 4(b) and 4(d)(i), the shares to be so purchased shall be allocated to each of WES&S and Myers Pro-Rata based upon the relative number of Securities owned by each entity as of such date.

"WES&S AFFILIATE" means any Simon Entity or any partnership, limited liability company or corporation that directly or indirectly, through one or more intermediaries, has control of, is controlled by or is under common control with (i) any Simon Entity or (ii) any shareholders, partner or member of a Simon Entity or any such shareholder's, partner's or member's spouse, siblings, children, children's spouses, grandchildren or their spouses or any trusts for the benefit of any of the foregoing.

"WES&S ACCEPTANCE NOTICE" has the meaning assigned to such term in SECTION 4(b).

"WES&S FUNDING DEFAULT" means a circumstance whereby (i) an OCM Entity and WES&S have entered into a commitment to purchase the Securities of the Company pursuant to a purchase agreement; (ii) WES&S is in breach of its commitment to purchase such Securities; and (iii) an OCM Entity ultimately completes its purchase under such purchase agreement.

"WES&S OFFER" has the meaning assigned to such term in SECTION 4(c).

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"WES&S PURCHASE DEFAULT" means WES&S is in breach of its purchase obligation under a WES&S Acceptance Notice in connection with certain transfers of the OCM Entity Shares as set forth in SECTION 4.

"WES&S SHARES" means all the Securities now and hereafter held by WES&S and any WES&S Affiliate.

"WES&S TRANSFER TERMINATION EVENT" means the first to occur of (i) a Qualified Public Offering, (ii) an OCM Entity Purchase Default, (iii) an OCM Entity Funding Default, (iv) the date on which the OCM Entities, in the aggregate, own less than fifty percent (50%) of the total number of shares held by the OCM Entities as of the Closing Date or (v) May 2, 2002.

## SECTION 2. PROVISIONS REGARDING TRANSFER.

(a) GENERAL RESTRICTIONS. So long as this Agreement shall remain in force, none of the Securities may be issued, sold, assigned, transferred, given away or in any way disposed of (any of the foregoing being hereinafter referred to as a "TRANSFER") unless:

(i) the Person in whose favor such Transfer is made shall deliver to the Company a written acknowledgment that the Securities to be transferred are subject to this Agreement and that such Person and such Person's successors in interest are bound hereby on the same terms as the Transferor of such Securities, but prior to any such Transfer, the Transferor shall give the Company (1) notice describing the manner and circumstances of the proposed Transfer and (2) if reasonably requested by the Company, a written opinion in form and substance reasonably satisfactory to legal counsel of the Company to the effect that the proposed Transfer may be effected without registration under the Securities Act or any applicable state law;

(ii) such Transfer shall be made in compliance with the provisions of this Agreement, the Employee Stock Purchase Plan and the Management subscription agreements; or

(iii) such Transfer shall be made pursuant to a public offering registered under the Securities Act and in accordance with applicable state law or pursuant to Rule 144 under the Securities Act.

Any attempted Transfer other than in accordance with this Agreement shall be void, and the Company shall refuse to recognize any such Transfer and shall not reflect on its records

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any change in record ownership of the Securities pursuant to any such attempted Transfer.

(b) MECHANICS OF TRANSFER. The closing of any Transfer of Securities (other than pursuant to SECTION 2(a)(iii) above) shall take place at the principal executive offices of the Company. Any Holder who Transfers the Securities shall (i) take all such actions and execute and deliver all such documents as may be necessary or reasonably requested by the Company in order to consummate the Transfer of such Securities and (ii) pay to the Company such amounts as may be required for any applicable stock transfer taxes.

(c) PLEDGE AND HYPOTHECATION PROHIBITED. Prior to a Qualified Public Offering, no Holder (other than any Persons not a party to this agreement who acquire shares pursuant to a registration statement ("PUBLIC TRANSFEREES")) shall in any manner pledge, hypothecate or encumber, or grant options with



respect to, any Securities held by such Holder, unless such Holder obtains the prior (i) written approval of the Executive Committee and (ii) written agreement of the designated assignee or secured party to acknowledge, accept and agree to be bound by the terms of this Agreement.

SECTION 3. TRANSFERS NOT SUBJECT TO RIGHT OF FIRST REFUSAL. The following Transfers (each a PERMITTED TRANSFER") shall not be subject to the rights of first refusal set forth in SECTION 4 hereof:

(a) CERTAIN TRANSFERS BY OCM ENTITY. Subject to the restrictions on Transfer set forth in SECTION 2, an OCM Entity or any subsequent holder of the OCM Entity Shares, may Transfer or grant participation in any or all of the OCM Entity Shares to (i) any OCM Affiliate or a TCW Affiliate in connection with an in-kind distribution, (ii) any Person pursuant to a demand or piggyback registration or (iii) any other Person to the extent the aggregate number of OCM Entity Shares so transferred shall not exceed thirty percent (30%) of the aggregate number of OCM Entity Shares purchased by the OCM Entities, in the aggregate, from the Company on the Closing Date and subsequent thereto. Any OCM Entity Shares, or interest therein, so transferred may subsequently be transferred back to an OCM Entity and upon such reacquisition such OCM Entity Shares shall be subject to this Agreement; PROVIDED, HOWEVER, that any OCM Entity Shares so reacquired by an OCM Entity shall not be subject to this Agreement to the extent that an OCM Entity purchased such OCM Entity Shares pursuant to a registration statement or from a Public Transferee.

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(b) CERTAIN TRANSFERS BY WES&S. Subject to the restrictions on Transfer set forth in SECTION 2, WES&S or any subsequent holder of the WES&S Shares, may Transfer or grant participation in any or all of the WES&S Shares to (i) any Person to the extent that such Transfer would not constitute a Sell-Down Event or (ii) any other Person pursuant to a demand or piggyback registration. Any WES&S Shares, or interest therein, so transferred may subsequently be transferred back to WES&S and upon such reacquisition such WES&S Shares shall be subject to this Agreement; PROVIDED, HOWEVER, that any WES&S Shares so reacquired by WES&S shall not be subject to this Agreement to the extent that WES&S purchased such WES&S Shares pursuant to a registration statement or from a Public Transferee.

(c) CERTAIN TRANSFERS BY MANAGEMENT, MYERS OR THE BANKS. Each of Management, Myers, or the Banks, may Transfer any or all of their respective shares of Common Stock to any Person in connection with a piggyback registration. Subject to the restrictions on Transfer set forth in SECTION 2, Myers may transfer any or all of his Securities to a Myers Affiliate. Any shares of Common Stock, or interest therein, so transferred by a Holder pursuant to this SECTION 3(c) may subsequently be transferred back to such Holder and upon such reacquisition such shares of Common Stock shall be subject to this Agreement; PROVIDED, HOWEVER, that any shares of Common Stock so reacquired by

such Holder shall not be subject to this Agreement to the extent that such Holder purchased such shares of Common Stock pursuant to a registration statement or from a Public Transferee.

(d) INTER VIVOS TRANSFERS. Any Holder who is a natural person may transfer, by INTER VIVOS Transfer, any or all of his or her Securities to any other natural person who is a Family Member or to a trust primarily for the benefit of such natural person who is a Family Member or such Holder (an "INTER VIVOS TRANSFEREE"); PROVIDED that such Holder retains all voting rights with respect to such Securities, and; PROVIDED, FURTHER, that no Holder who is a natural person may make an INTER VIVOS transfer to any person unless such Holder shall comply with the provisions of SECTION 2. Subject to the restrictions of SECTION 2, any Securities transferred pursuant to this SECTION 3(d) may subsequently be transferred back to such Holder.

SECTION 4. RIGHT OF FIRST REFUSAL. Each Holder agrees that, except as provided in SECTIONS 3 AND 5 hereof, such Holder will not transfer any Securities, or any right, title or interest therein, unless such Holder shall have first made the offers to sell set forth in this SECTION 4.

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(a) REFUSAL NOTICE. A Holder that desires in good faith to Transfer any Securities (the "TRANSFEROR") shall deliver a written notice of such intent (the "REFUSAL NOTICE") to each Offeree. The Refusal Notice shall contain (i) a description of the proposed Transfer transaction and the terms thereof including the number and type of Securities (E.G., Common Stock or Warrants) proposed to be transferred (collectively, the "REFUSAL SECURITIES"), (ii) the name of each person to whom or in favor of whom the proposed Transfer is to be made (the "REFUSAL TRANSFEREE") and (iii) a description of the consideration to be received by the Transferor upon Transfer of the Refusal Securities; PROVIDED, HOWEVER, that if any Holder desires to Transfer any Securities pursuant to Rule 144 of the Securities Act, such Holder shall not be required to satisfy subsection (a)(ii) herein. The Refusal Notice shall be accompanied by a copy of the third party written offer (for purposes of this SECTION 4, an executed letter of intent stating the terms of such offer, or incorporating by reference therein a separate summary of terms which shall be deemed a written offer). No offer (covered by this SECTION 4) to Transfer to a Transferee shall be permissible, unless the consideration for the Transfer involved consists solely of cash.

(b) TRANSFERS BY OCM ENTITY. Prior to an OCM Entity Transfer Termination Event, if an OCM Entity intends in good faith to sell or otherwise Transfer any OCM Entity Shares to any Person, such OCM Entity shall deliver to WES&S, concurrently with the delivery of the Refusal Notice, a written offer to sell (the "OCM ENTITY OFFER") all, but not less than all, of such Refusal Securities which are the subject of the Refusal Notice. Each OCM Entity Offer shall contain the same terms and conditions, and shall be for the same

consideration, as described in the Refusal Notice. Within five (5) Business Days after the Refusal Notice is delivered to WES&S, WES&S may, by written notice delivered to such OCM Entity (a "WES&S ACCEPTANCE NOTICE"), accept the offer to acquire all, but not less than all, of the Refusal Securities as described in the Refusal Notice. Transfers of Securities to WES&S pursuant to offers made and accepted in accordance with this SECTION 4 shall occur simultaneously on a Business Day not more than thirty (30) days after the date on which the WES&S Acceptance Notice is delivered to such OCM Entity. If WES&S breaches its obligation to purchase the Refusal Securities which are the subject of the Refusal Notice within thirty (30) days of the date on which the WES&S Acceptance Notice is delivered to such OCM Entity, (i) WES&S shall forfeit (a) any and all future rights of first refusal with respect to the OCM Entity Shares and (b) any and all future rights of first refusal with respect to any proposed Transfer of Securities pursuant to SECTION 4(d) hereof, and (ii) except as provided in SECTION 4(f) hereof such failure shall constitute a WES&S Purchase Default.

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(c) TRANSFERS BY WES&S. Prior to a WES&S Transfer Termination Event, if WES&S intends in good faith to sell or otherwise Transfer any WES&S Shares to any Person, WES&S shall deliver to each OCM Entity, concurrently with the delivery of the Refusal Notice, a written offer to sell (the "WES&S OFFER") all, but not less than all, of such Refusal Securities which are the subject of the Refusal Notice. Each WES&S Offer shall contain the same terms and conditions, and shall be for the same consideration, as described in the Refusal Notice. Within five (5) Business Days after the Refusal Notice is delivered to each OCM Entity, each OCM Entity may, by written notice delivered to WES&S (an "OCM ENTITY ACCEPTANCE NOTICE"), accept the offer to acquire all, but not less than all, of the Refusal Securities as described in the Refusal Notice; PROVIDED HOWEVER, that if each OCM Entity elects to submit an OCM Entity Acceptance Notice, the Securities to be so purchased shall be allocated to each OCM Entity Pro-Rata based upon the relative number of Securities owned by each entity as of such date or on such other basis as may be agreed upon by the OCM Entities. Transfers of Securities to an OCM Entity pursuant to offers made and accepted in accordance with this SECTION 4 shall occur simultaneously on a Business Day not more than thirty (30) days after the date on which the OCM Entity Acceptance Notice is delivered to WES&S. If either OCM Entity breaches its obligation to purchase the Refusal Securities which are the subject of the Refusal Notice within thirty (30) days of the date on which the OCM Entity Acceptance Notice is delivered to WES&S, (i) both OCM Entities shall forfeit (a) any and all future rights of first refusal with respect to the WES&S Shares and (b) any and all future rights of first refusal with respect to any proposed Transfer of Securities pursuant to SECTION 4(d) hereof, and (ii) except as provided in SECTION 4(f) hereof such failure shall constitute an OCM Entity Purchase Default.

(d) TRANSFERS BY HOLDERS. (i) Prior to a Qualified Public Offering (and in the case of Myers, if earlier, May 2, 2002), if any Holder (other than

an OCM Entity and WES&S), subject to the transfer restrictions, if any, as set forth in the terms of such Holder's Warrant, intends in good faith to sell or otherwise Transfer any Securities to any Person, such Holder shall deliver to the Company, concurrently with the delivery of the Refusal Notice, a written offer to sell (the "COMPANY OFFER") all, but not less than all, of such Refusal Securities which are the subject of the Refusal Notice; PROVIDED, HOWEVER that if any such Holder intends to Transfer any Securities to the Company pursuant to the terms of such Holder's employment or subscription agreement, such Holder shall not be required to deliver a Refusal Notice pursuant to this subsection (d). Each Company Offer shall contain the same terms and conditions, and shall be for the same cash consideration, as described in the Refusal Notice. Within

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five (5) Business Days after the Refusal Notice is delivered to the Company, the Company may, by written notice delivered to such proposed Transferor (a "COMPANY ACCEPTANCE NOTICE"), accept the offer to acquire all, but not less than all, of the Refusal Securities as described in the Refusal Notice. If the Company does not return the Company Acceptance Notice within the required five (5) Business Day period, the proposed Transferor shall deliver to each OCM Entity and WES&S, concurrently with the delivery of a Refusal Notice ("RE-OFFER NOTICE") a written offer to sell (the "RE-OFFER") all but not less than all of such Refusal Securities which are the subject of the Refusal Notice; PROVIDED, HOWEVER, that the proposed Transferor shall not be obligated to deliver a Re-Offer Notice to an OCM Entity or WES&S to the extent that their respective rights of first refusal have expired as set forth in SECTIONS 4(b) AND (c) hereof. Within five (5) Business Days after the Re-Offer Notice is delivered to each OCM Entity and WES&S, each OCM Entity and WES&S may, by written notice delivered to such proposed Transferor (a "RE-OFFER ACCEPTANCE NOTICE"), accept the offer to acquire all, but not less than all, of the Refusal Securities as described in the Re-Offer Notice. Each of the Company, each OCM Entity and WES&S, as applicable, shall be required to complete the purchase of the Refusal Securities which are the subject of the applicable acceptance notice referred to in this SECTION 4(d)(i) within thirty (30) days of receipt of the applicable acceptance notice by the proposed Transferor. If more than one of WES&S and the OCM Entities elect to submit a Re-Offer Acceptance Notice, the Securities to be so purchased shall be allocated to each entity which has submitted a Re-Offer Acceptance Notice Pro-Rata based upon the relative number of Securities owned by each such entity as of such date.

(ii) Prior to complying with SECTION 4(d)(i) above, if any of Douglas Cruikshank, Ronald S. Cruse, Steve Hitchcock, Paul D. Smith or Abe Ranish (collectively, the "MATRIX HOLDERS"), intends in good faith to sell or otherwise Transfer any Securities to any Person (other than any Transfers made pursuant to a put or call as set forth in any subscription agreement or employment agreement between each of the Matrix Holders and the Company or any of its Subsidiaries), such Transferor shall deliver to the nontransferring Matrix Holders, concurrently with the delivery of the Refusal Notice, a written offer to sell (the "MATRIX OFFER") all, but not less than all, of such Refusal Securities

which are the subject of the Refusal Notice; PROVIDED, HOWEVER, that a nontransferring Matrix Holder shall only be entitled to receive notice hereunder as long as such nontransferring Matrix Holder is an employee of Matrix International Logistics, Inc., a Delaware corporation. Each Matrix Offer shall contain the same terms and conditions, and shall be for the same cash consideration, as described in the Refusal Notice. Within

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five (5) Business Days after the Refusal Notice is delivered to the nontransferring Matrix Holders, any or all of the nontransferring Matrix Holders may, by written notice delivered to such proposed Transferor (a "MATRIX ACCEPTANCE NOTICE"), accept the offer to acquire all, but not less than all, of the Refusal Securities as described in the Refusal Notice offered to such nontransferring Matrix Holder. If more than one nontransferring Matrix Holder elects to submit a Matrix Acceptance Notice, the Securities to be so purchased shall be allocated to each Person which has submitted a Matrix Acceptance Notice Pro-Rata based upon the relative number of Securities owned by each such Matrix Holder as of such date. Each of the Matrix Holders, as applicable, shall be required to complete the purchase of the Refusal Securities which are the subject of the applicable acceptance notice referred to in this SECTION 4(d)(ii) within thirty (30) days of receipt of the applicable acceptance notice by the proposed Transferor. If none of the nontransferring Matrix Holders return the Matrix Acceptance Notice within the required five (5) Business Day period, the proposed Transferor shall nevertheless be obligated to comply with the notice and offer provisions of SECTION 4(d)(i) prior to a proposed Transfer to any Person.

(e) ELECTION OF TRANSFEROR. In the event that an Offeree does not agree to purchase all of the Refusal Securities offered for sale to such Offeree by a Transferor, such Transferor has the right at such Transferor's election to (i) transfer the Refusal Securities to a third party in accordance with the terms of SECTION 4(F) below.

(f) TRANSFERS TO THIRD PARTIES. If the Transfer of Refusal Securities to an Offeree is not completed within the period set forth in SECTIONS 4(b), (c) OR (d), as applicable, then such Transferor has the right to complete a sale transaction with a third party; PROVIDED, that the consideration received by such Transferor in respect of any such Transfer is not less than the consideration proposed by the Refusal Notice. Notwithstanding any forfeiture of future refusal rights as set forth in SECTIONS 4(b) AND (c), if such Transfer transaction with a third party is not completed within ninety (90) days of the date the Refusal Notice is received by each OCM Entity, WES&S or the Company, as the case may be, then each OCM Entity, WES&S or the Company, as the case may be, shall have the rights of first refusal with respect to any subsequent proposed sale of Securities covered by this SECTION 4.

(g) TRANSFER OF SHARES. Transfers of Securities pursuant to offers made and accepted in accordance with this SECTION 4 shall be made subject to and

in accordance with SECTION 2. Any Transfer made in violation of this SECTION 4 shall be void and of no force and effect.

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SECTION 5. PREEMPTIVE RIGHTS. If the Company issues any Common Stock or securities convertible into Common Stock, or any right, title or interest therein to any Person, then the Company shall make the offer to sell pursuant to, and otherwise comply with the requirements set forth in this SECTION 5. Notwithstanding the foregoing, the Company may Transfer Common Stock or securities convertible into Common Stock, and any right, title or interest therein without making the offer to sell as set forth in this SECTION 5 in connection with (i) a Public Offering, (ii) the issuance of shares of Common Stock in connection with the exercise of any Warrants, (iii) the issuance of Securities to certain employees, executive officers and directors of the Company pursuant to any stock option plan or stock purchase plan approved by the Board of Directors and (iv) the issuance of Securities to any employee, director or officer of the Company or any of its Subsidiaries. Notwithstanding the foregoing, any rights or obligations pursuant to this SECTION 5 shall terminate no later than the date of an Initial Public Offering. The rights in this SECTION 5 shall not inure to the benefit of Myers with respect to any Warrants owned by Myers or any transferee therefrom.

(a) COMPANY TRANSFER NOTICE. If the Company desires in good faith to Transfer Common Stock or securities convertible into Common Stock, the Company shall deliver a written notice of the proposed Transfer (the "COMPANY TRANSFER NOTICE") to each Holder that in the reasonable judgment of the Company is an Accredited Investor, or who can provide the Company with an opinion of counsel, reasonably satisfactory in form and substance to the Company, that the Company Transfer Securities (as defined below) may be sold to such Holder without registration under the Securities Act (each an "ACCREDITED OFFEREE"). The Company Transfer Notice shall contain a description of the proposed transaction and the terms thereof including the number of Securities and type of Securities proposed to be transferred (collectively, the "COMPANY TRANSFER SECURITIES"), the name of each person to whom or in favor of whom the proposed Transfer is to be made (the "COMPANY TRANSFEREE"), and a description of the consideration to be received by the Company upon Transfer of the Company Transfer Securities. On a day which is not earlier than the ten (10) days following delivery of the Company Transfer Notice and after having received the requisite approval from the Board of Directors, the Company may issue the Company Transfer Securities to the Company Transferee on the terms set forth in the Company Transfer Notice.

(b) TERMS OF OFFER. Upon completion of the issuance of the Company Transfer Securities referred to in SUBSECTION (a) above, the Company shall deliver to each Holder a written offer

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to sell (the "OFFER TO SELL") a Pro-Rata portion of an equivalent number of the Company Transfer Securities based upon such Holder's holdings of Securities. The Offer to Sell shall be on the same terms and conditions, and shall be for cash. If the consideration described in the Company Transfer Notice is for something other than cash, the purchase price paid by each Holder for shares purchased pursuant to this SUBSECTION (b) shall be in cash at the Trading Price (or if no trading price is available, then the Fair Market Value) of such Securities determined as of the issue date of the Company Transfer Securities.

(c) ACCEPTANCE OF OFFER. Within thirty (30) days after receipt of an Offer to Sell, any Accredited Offeree may, by written notice delivered to the Company, accept the Offer to Sell in whole or in part.

(d) ADDITIONAL OFFER. If, within the thirty (30) day period specified in SECTION 5(c), the Accredited Offerees do not agree to purchase all of the Company Transfer Securities offered pursuant to the initial Offers to Sell, the Company shall make an additional offer to sell the remainder of the Company Transfer Securities (the "ADDITIONAL OFFER") proportionately to the Holders who accepted in whole their respective initial Offers to Sell. The Additional Offer shall be made within five (5) days after expiration of the initial thirty (30) day period, and may be accepted, in whole or in part, by written notice delivered to the Company within ten (10) days after receipt. Notwithstanding any other provision of this SECTION 5, the Accredited Offerees may permit, by written agreement signed by each Accredited Offeree, any Accredited Offeree to purchase more or less than such Accredited Offeree's Pro Rata portion of the Company Transfer Securities.

(e) TRANSFER OF SHARES. Transfers of Securities pursuant to offers made and accepted in accordance with this SECTION 5 or to a Company Transferee shall occur simultaneously on a Business Day not more than thirty (30) days after the last date on which any offer made in accordance with this SECTION 5 could have been accepted. Each such Transfer shall be made in accordance with SECTIONS 2(a) AND (b) hereof.

SECTION 6. DRAG-ALONG. Prior to a Qualified Public Offering, the following drag-along rights shall be available:

(a) QUALIFIED SALE. If (i) the Company agrees to be sold, merged or liquidated pursuant to a Qualified Sale and (ii) such Qualified Sale is approved by more than eighty percent (80%) of the outstanding shares of Common Stock entitled to vote on such transaction, then all Holders (other than Public

Transferees), shall be deemed to have consented to such Qualified Sale and shall execute such documents to confirm such consent.

(b) STOCK SALE. If the Holders holding shares in excess of eighty percent (80%) of the issued and outstanding Common Stock (the "SELLING HOLDERS") elect to sell such shares of Common Stock to a third party (other than an OCM Entity, WES&S, an OCM Affiliate, a TCW Affiliate or a WES&S Affiliate) (the "ACQUIROR"), then the Acquiror shall have the right, at its option, to purchase from the Holders other than the Selling Holders and any Public Transferees (the "NON-SELLING HOLDERS"), the same Pro-Rata portion of Securities as is being acquired from the Selling Holders at the same price per Security, with the same form of consideration and upon the same terms and conditions as set forth in the Transfer Notice (as defined below); PROVIDED, HOWEVER, that the price paid to any warrant holder shall be the price paid by the Acquiror for each share of Common Stock less any exercise price payable by such warrant holder. To exercise this drag-along right, the Selling Holders shall provide written notice to each Non-Selling Holder twenty (20) days prior to any such Transfer of Common Stock (a "TRANSFER NOTICE") explaining the terms of such offer and identifying the name and address of the Acquiror. If the Acquiror has exercised its right to purchase a portion, but not all, of the Securities owned by the Non-Selling Holders, then such Acquiror shall purchase a Pro Rata portion of the Securities from each such Non-Selling Holder.

SECTION 7. TAG-ALONG. Prior to a Qualified Public Offering, if Holders (other than Public Transferees) holding shares in excess of seventy-five percent (75%) of the issued and outstanding Common Stock (the "SELLING HOLDERS") elect to sell, dispose of or otherwise Transfer such shares of Common Stock to a third party (other than an OCM Entity, WES&S, an OCM Affiliate, a TCW Affiliate or a WES&S Affiliate) (the "ACQUIROR"), then, at least twenty (20) days prior to any such Transfer by the Selling Holders of any Common Stock, the Selling Holders shall provide to each Holder other than a Selling Holder and Public Transferee (a "NON-SELLING HOLDER") a written notice (a "TRANSFER NOTICE") explaining the terms of such transfer and identifying the name and address of the potential Acquiror. Upon receipt of such Transfer Notice, each such Non-Selling Holder shall have the right, upon delivery of a written request to the Selling Holders within twenty (20) days of the date the Transfer Notice is received by such Non-Selling Holder, to cause the potential Acquiror to purchase from such Non-Selling Holder a Pro-Rata portion of the Securities which are proposed to be sold by the Selling Holders (on a fully-diluted basis) in the Transfer Notice at the same price and on the same terms and conditions contained in the Transfer Notice delivered in connection with such proposed

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transaction; PROVIDED, HOWEVER, that the price paid to any warrant holder shall be the price paid by the Acquiror for each share of Common Stock less any exercise price payable by such warrant holder.

SECTION 8. BOARD OF DIRECTORS. (a) PRE-VOTING TERMINATION EVENT BOARD. Prior to the first to occur of (i) an Initial Public Offering, (ii) a



Sell-Down Event, (iii) a WES&S Purchase Default, (iv) a WES&S Funding Default, (v) a Financial Default Disagreement, (vi) an OCM Entity Purchase Default, (vii) an OCM Entity Funding Default or (viii) May 2, 2002 (in each case a "VOTING TERMINATION EVENT"), the Board of Directors shall at all times consist of eight (8) members. Each Holder of Securities hereby agrees to cause all such Securities that are entitled to vote and are registered in the name of such Holder to be voted, and will otherwise take or cause to be taken all such other action as may be necessary, so that the Board of Directors of the Company shall at all times, until a Voting Termination Event, consist of eight (8) members, of which two (2) members shall be designated by OCM (an "OCM DIRECTOR"), one (1) member shall be designated by TCW (a "TCW DIRECTOR"), three (3) members shall be designated by WES&S (a "WES&S DIRECTOR"), one (1) member shall be the Chief Executive Officer of the Company and one (1) member shall be William E. Myers, Jr.

(b) POST-VOTING TERMINATION EVENT BOARD. Upon a Voting Termination Event that is not caused by an Initial Public Offering, the Board of Directors of the Company shall at all times consist of at least five (5) members or such greater number that shall be needed to satisfy the terms of this SECTION 8(b). Each Holder of Securities hereby agrees to cause all such Securities that are entitled to vote and are registered in the name of such Holder to be voted, and will otherwise take or cause to be taken all such other action as may be necessary, so that the Board of Directors shall at all times, after a Voting Termination Event that is not caused by an Initial Public Offering, consist of:

- (a) (i) a majority of Board of Directors seats designated by an OCM Entity, PROVIDED, that the combined holdings of the OCM Entities are fifty percent (50%) or more of the voting stock and the Voting Termination Event is due to an event other than an OCM Entity Funding Default or an OCM Entity Purchase Default,
- (ii) one (1) Board of Directors seat less than a majority designated by an OCM Entity, PROVIDED, that either (x) the combined holdings of the OCM Entities are at least twenty-five percent (25%) but less than fifty percent (50%) of the voting stock or (y) the combined holdings of the OCM Entities are fifty percent (50%) or more of the voting stock and the Voting Termination Event is due solely to an OCM Entity Funding Default or an OCM Entity Purchase Default, or
- (iii) one (1) Board of Directors

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seat designated by an OCM Entity, PROVIDED, that the combined holdings of the OCM Entities are at least ten percent (10%) but less than twenty-five (25%) of the voting stock (in each case, an "OCM ENTITY TERMINATION DIRECTOR"); (b) one (1) Board of Directors seat to be the Chief Executive Officer; (c) one (1) Board of Directors seat to be William E. Myers Jr. and (d) the remainder of the board seats to be designated by WES&S (a "WES&S TERMINATION DIRECTOR"); PROVIDED, that in no event shall WES&S designate less than one (1) Board of Directors seat.

(c) INITIAL BOARD OF DIRECTORS. The Board of Directors, as of the Closing Date, shall consist of the following members:

|                       |  |
|-----------------------|--|
| Stephen A. Kaplan     | (TCW Director)                                 |
| Vincent J. Cebula     | (OCM Director)<br>(OCM Executive Director)     |
| Richard J. Goldstein  | (OCM Director)                                 |
| William E. Simon, Jr. | (WES&S Director)                               |
| Michael B. Lenard     | (WES&S Director)<br>(WES&S Executive Director) |
| Conor T. Mullett      | (WES&S Director)                               |
| Roger E. Payton       | (Chief Executive Officer)                      |
| William E. Myers, Jr. | (an individual)                                |

each of whom shall hold office for a term of one (1) year until the next annual or special meeting of Holders called for the purpose of electing directors as provided in SECTION 8(a) AND (b) of this Agreement or in the Bylaws.

Notwithstanding the foregoing designation, upon a Voting Termination Event that is not caused by an Initial Public Offering, the directors designated in this SECTION 8(c) shall be subject to removal and redesignation as set forth in SECTION 8(b) hereof.

(d) FILLING VACANCIES, ETC. At any time a vacancy is created on the Board by the death, removal (with or without cause) or resignation of any one of the Directors, no action shall be taken by the Board until the Board is reconstituted with the appropriate number of directors. Only OCM or an OCM Affiliate shall have the right to remove an OCM Director or an OCM Entity Termination Director appointed by OCM, or to fill a vacancy caused by the resignation, removal (with or without

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cause) or death of such OCM Director or OCM Entity Termination Director. Only TCW or a TCW Affiliate shall have the right to remove a TCW Director or an OCM Entity Termination Director appointed by TCW, or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such TCW Director or OCM Entity Termination Director. Only WES&S shall have the right to remove a WES&S Director or to fill a vacancy caused by the resignation, removal (with or without cause) or death of such WES&S Director or WES&S Termination Director. For all other vacancies, the remaining directors shall meet in person or by telephone for the purpose of approving and appointing a director in accordance with the provisions set forth in SECTIONS 8(a) AND (b) hereof or in the By-Laws.

(e) COMPENSATION; LIABILITY COVERAGE. William E. Myers, Jr. and any

directors who are employees of OCM, TCW or WES&S shall not be entitled to compensation (other than reimbursement of reasonable out-of-pocket expenses incurred in connection with board meetings or director-related activities); PROVIDED HOWEVER, that if directors who are either employees of the Company or are newly admitted directors after the Closing Date receive additional compensation in their capacity as directors, then such OCM Directors, TCW Director, WES&S Directors, William E. Myers, Jr., OCM Entity Termination Directors or WES&S Termination Directors shall be entitled to receive an equivalent consideration. Within sixty (60) days of the Closing Date, the Company shall secure for the benefit of all Directors and Officers liability coverage from a reputable insurer selected by the Company with coverages which are not less than Five Million Dollars (\$5,000,000) and deductibles which are customary for companies of comparable size. If the Company shall ever fail to pay when due any premium or other charge with respect to such insurance coverage, or otherwise fail to renew such coverage, any Holder may pay such premium or charge, or renew such coverage, and the Company shall promptly reimburse such Holder.

(f) ADDITIONAL OCM ENTITY RIGHTS. So long as an OCM Entity owns any Common Stock:

(i) OCM, TCW, any such OCM Affiliate or TCW Affiliate, or any designated representative on behalf of such OCM Affiliate or TCW Affiliate (1) shall be entitled to discuss the business operations, properties and financial and other conditions of the Company with any authorized officer, employee, agent, representative, director or independent accountant of the Company and, upon reasonable notice to the Company, any such authorized officer, agent, representative, director or independent accountant of any Subsidiary of the Company, (2) shall be entitled to submit

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proposals or suggestions to the Company's management from time to time with the requirement that the management of the Company and, upon reasonable notice to the Company, management of any Subsidiary of the Company shall discuss such proposals or suggestions with OCM, TCW, any such OCM Affiliate or TCW Affiliate, or any designated representative on behalf of each OCM, TCW, any such OCM Affiliate or TCW Affiliate within a reasonable period after such submission, and (3) shall be entitled to call a meeting with the management of the Company and, upon reasonable notice to the Company, management of any Subsidiary of the Company at reasonable times and on reasonable notice in order to discuss such proposals or suggestions or for other purposes.

(ii) OCM, TCW, any such OCM Affiliate or TCW Affiliate, or any designated representative on behalf of OCM, TCW, or such OCM Affiliate or TCW Affiliate, shall be entitled to examine and make abstracts from the books and records, operating reports, budgets and other financial reports of the Company as are available to the management of the Company, to visit

and inspect the facilities of the Company and, upon reasonable notice to the Company, the facilities of any Subsidiary of the Company and to reasonably request information all at reasonable times and intervals (and on reasonable notice to the Company) concerning the general status of financial condition and operations of the Company.

(iii) Upon request, OCM, TCW, any such OCM Affiliate or TCW Affiliate, or any designated representative on behalf of OCM, TCW or such OCM Affiliate or TCW Affiliate, shall be entitled to receive, when available, copies of (1) financial statements, forecasts and projections provided to or approved by the Board of Directors of the Company and/or (2) such other business or financial data as OCM, TCW, any such OCM Affiliate or TCW Affiliate, or any designated representative on behalf of OCM, TCW or such OCM Affiliate or TCW Affiliate, may reasonably request.

(iv) each of OCM and TCW will hold, and will use its best efforts to cause the OCM Affiliates and the TCW Affiliates, as applicable, to hold, in strict confidence from any Person (other than any such Affiliate or Person who has provided, or who is considering providing, financing to the Company or purchasing securities of the Company from OCM or an OCM Affiliate), unless (i) compelled to disclose by judicial or administrative process or by other requirements of law or (ii) disclosed in an action or proceeding brought by a party hereto in pursuit of its rights or in the exercise of its remedies hereunder, all documents and

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information concerning the Company furnished to it by the Company in connection with this SECTION 8(f), except to the extent that such documents or information can be shown to have been (a) previously known by the party receiving such documents or information, (b) in the public domain (either prior to or after the furnishing of such documents or information hereunder) through no fault of such receiving party or (c) later acquired by the receiving party from another source if the receiving party is not aware that such source is under an obligation to another party hereto to keep such documents and information confidential.

(g) NONTRANSFERABILITY. Notwithstanding any other provision of this Agreement to the contrary, the rights of OCM, TCW, WES&S and William E. Myers, Jr. pursuant to this SECTION 8 shall not be transferable to any transferee; PROVIDED, HOWEVER, that each of OCM, TCW and WES&S may transfer their rights pursuant to this SECTION 8 to an OCM Affiliate, a TCW Affiliate or a WES&S Affiliate, respectively.

(h) VOTING AGREEMENT. All parties to this Agreement agree that this SECTION 8 shall constitute a voting agreement within the meaning of Section 218 of the Delaware General Corporation Law and, subject to the other express terms of this Agreement, shall be of the maximum duration permitted under the Delaware General Corporation Law.

SECTION 9. CORPORATE GOVERNANCE. (a) BOARD VOTING; MANAGEMENT. Prior to a Voting Termination Event and except with respect to the daily affairs and operations of the Company arising in the ordinary course of business, which affairs shall be attended to by the officers of the Company under the ultimate direction of the Board of Directors, no action shall be taken, securities issued, monies borrowed, sum expended, decision made or obligation incurred by or on behalf of the Company or any of its Subsidiaries with respect to any matter, unless approved by at least six (6) Directors or as set forth in SECTION 9(b) below.

(b) EXECUTIVE COMMITTEE. Prior to a Voting Termination Event, an Executive Committee (the "EXECUTIVE COMMITTEE") consisting of three (3) members of the Board of Directors shall be authorized to take any action on behalf of the Board of Directors (in between meetings of the Board of Directors) upon the unanimous approval of such Executive Committee, including, without limitation, the declaration of dividends, the issuance of shares of capital stock or any other equity or debt security, or option or security convertible into equity or debt securities, of the Company, and the adoption of a certificate of ownership and merger pursuant to Section 253 of the Delaware General

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Corporation Law. Each of OCM and WES&S shall designate one (1) OCM Director (an "OCM EXECUTIVE DIRECTOR") and one (1) WES&S Director (a "WES&S EXECUTIVE DIRECTOR"), respectively, to sit on the Executive Committee; and the third member of the Executive Committee shall be the Chief Executive Officer of the Company. Only OCM shall have the right to remove (with or without cause) an OCM Executive Director or to fill a vacancy caused by the resignation, removal or death of such OCM Executive Director. Only WES&S shall have the right to remove (with or without cause) a WES&S Executive Director or to fill a vacancy caused by the resignation, removal or death of such WES&S Executive Director.

(c) AUDIT AND COMPENSATION COMMITTEES. The Board of Directors may, by resolution passed by a majority of the total number of directors which the Company would at the time have if there were no vacancies, designate an audit committee of the Board of Directors (the "AUDIT COMMITTEE"), which shall be responsible for reviewing the scope of the Company's independent auditors' examination of the Company's financial statements and receiving and reviewing their reports, and a compensation committee of the Board of Directors (the "COMPENSATION COMMITTEE"), which shall be responsible and have authority for determining the Company's policies with respect to the nature and amount of all compensation to be paid to the Company's executive officers and administering the Company's benefit plans and shall also have the authority to issue shares of capital stock or any other equity or debt security, or option or security convertible into equity or debt securities, of the Company. Prior to a Voting Termination Event each of the Audit Committee and the Compensation Committee shall consist of two members, one of whom shall be an OCM Director that is

designated for membership on such committee by OCM and one of whom shall be a WES&S Director that is designated for membership on such committee by WES&S. Only OCM shall have the right to remove an OCM Director who is a member of the Audit Committee or Compensation Committee or to fill a vacancy on the Audit Committee or Compensation Committee caused by the resignation, removal or death of such OCM Director. Only WES&S shall have the right to remove a WES&S Director who is a member of the Audit Committee or Compensation Committee or to fill a vacancy on the Audit Committee or Compensation Committee caused by the resignation, removal or death of such WES&S Director.

(d) SHAREHOLDER VOTING. Prior to a Voting Termination Event, all such actions taken by, in the name of or on behalf of the holders of Common Stock shall require an affirmative vote of the holders representing at least eighty percent (80%) of the issued and outstanding shares entitled to vote. Upon a Voting Termination Event, all such actions taken by, in the name of or on behalf of the holders of Common Stock shall require an

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affirmative vote of a majority of the issued and outstanding shares entitled to vote.

#### SECTION 10. CERTIFICATES.

(a) RESTRICTIVE ENDORSEMENTS. Each certificate evidencing any Securities shall bear a legend in substantially the following form:

"The [shares][warrant] evidenced by this certificate [and the shares of Common Stock into which any Warrant represented hereby is convertible] are subject to that certain [a Warrant, dated as of \_\_\_\_\_,] [Subscription Agreement, dated as of \_\_\_\_\_,] [Employee Stock Purchase Plan, dated as of \_\_\_\_\_,] a Stockholders Agreement, dated as of \_\_\_\_\_, and Registration Rights Agreement, dated as of \_\_\_\_\_ copies of which are on file at the principal office of the Company and will be furnished to the holder on request to the Secretary of the Company. Such [Warrant,] [Subscription Agreement] [Employee Stock Purchase Plan] Stockholders Agreement and Registration Rights Agreement provide, among other things, for certain restrictions on voting, sale, transfer, pledge, hypothecation or other disposition of the (securities) [warrant] evidenced by this certificate [and the shares of Common Stock purchasable upon exercise of the warrant] and that such securities may be subject to purchase by the Company as well as certain other persons upon the occurrence of certain events. Any issuance, sale, assignment, transfer or other disposition of the securities evidenced by this certificate to persons who are not party to such Stockholders Agreement shall be null and void."

In addition, unless counsel to the Company has advised the Company that



such legend is no longer needed, each certificate evidencing the Securities shall bear a legend in substantially the following form:

"The securities [warrant] evidenced by this certificate [and the shares of common stock purchasable upon exercise of the warrant] have not been registered pursuant to the Securities Act of 1933, as amended (the "Act"), or any state securities law, and such securities [warrant] may not be sold, transferred or otherwise disposed of unless the same are registered and qualified in accordance with the Act and any applicable state securities laws, or in the opinion of counsel

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reasonably satisfactory to the Company such registration and qualification are not required."

(b) REPLACEMENT CERTIFICATES. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any certificate evidencing any Securities, and (in the case of loss, theft or destruction) of indemnity reasonably satisfactory to the Company, upon surrender and cancellation of such certificate or receipt of such indemnity, the Company will execute, register and deliver a new certificate of like tenor in lieu of such lost, stolen, destroyed or mutilated certificate.

SECTION 11. REPRESENTATIONS. Each Holder represents that such Holder is the record and beneficial owner of the number of issued and outstanding Securities appearing opposite such Holder's name in Exhibit A attached hereto, free and clear of any option, lien, encumbrance or charge of any kind whatsoever.

SECTION 12. EQUITABLE RELIEF. The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce such provisions.

#### SECTION 13. MISCELLANEOUS.

(a) NOTICES. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

(i) (A) if to the Company, at

330 S. Mannheim Road, Ste. 200  
Hillside, IL 60612

Facsimile No.: (708) 547-4524  
Attention: Chief Executive Officer

(B) with copies to OCM, TCW and WES&S, at the respective addresses set forth below

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(ii) if to TCW or OCM, at

TCW Special Credits Fund V - The Principal Fund  
C/O Oaktree Capital Management, LLC  
555 South Hope St., 22nd Floor  
Los Angeles, CA 90071  
Facsimile No.: (213) 694-1593  
Attention: Vincent J. Cebula

OCM Principal Opportunities Fund, L.P.  
C/O Oaktree Capital Management, LLC  
555 South Hope St., 22nd Floor  
Los Angeles, CA 90071  
Facsimile No.: (213) 694-1593  
Attention: Vincent J. Cebula

with copies to:

Oaktree Capital Management, LLC  
550 South Hope Street  
22nd Floor  
Los Angeles, California 90071  
Facsimile No.: (213) 694-1599  
Attention: Kenneth Liang, Esq.

Milbank, Tweed, Hadley & McCloy  
601 South Figueroa Street  
30th Floor  
Los Angeles, California 90017  
Facsimile No.: (213) 629-5063  
Attention: Eric H. Schunk, Esq.

(iii) if to WES&S, at

William Simon & Sons, LLC  
10990 Wilshire Blvd., Suite 1750  
Los Angeles, CA 90024  
Facsimile No.: (310) 575-3258  
Attention: Michael Lenard

with copies to:



Latham & Watkins  
633 West Fifth Street  
Suite 4000  
Los Angeles, California 90071-2007  
Facsimile No.: (213) 891-6763  
Attention: Paul D. Tosetti, Esq.

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(iv) if to any other Person who is the registered holder of any Securities to the address for the purpose of such holder as it appears in the stock ledger of the Company.

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

(b) WAIVER. No failure or delay on the part of the parties or any of them in exercising any right, power or privilege hereunder, nor any course of dealing between the parties or any of them shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude the simultaneous or later exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and are not exclusive of any rights or remedies which the parties or any of them would otherwise have. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the other parties or any of them to take any other or further action in any circumstances without notice or demand.

(c) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(d) GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to principles of conflict of laws.

(e) FILING. A copy of this Agreement and of all amendments hereto shall be filed at the principal office of the Company.

(f) AMENDMENT OR TERMINATION. Prior to a Voting Termination Event, this Agreement may be amended or terminated at any time only by an instrument in writing signed by the Company and the Holders beneficially owning at least eighty percent (80%) of the issued and outstanding Common Stock. Upon a Voting Termination Event, this Agreement may be amended or terminated at any time by an instrument in writing signed by the Company and the Holders beneficially owning a majority of the issued and outstanding shares entitled to vote. Notwithstanding the foregoing, (i) no amendment or modification to SECTION 8 OR 9 hereof may be made without the consent of the Holders beneficially owning ninety percent (90%) of the issued and outstanding Common Stock and (ii) upon receiving the unanimous written consent of each of the OCM Entities and WES&S, the Company may (a) add new Holders to this Agreement by attaching a supplemental signature page dated as of the date of execution and (b) amend Exhibits A and B.

(g) BENEFIT AND BINDING EFFECT. Except as otherwise provided in this Agreement, no right under this Agreement shall be assignable and any attempted assignment in violation of this provision shall be void. Subject to compliance with the terms of this Agreement regarding Transfer of Securities, this Agreement shall be binding upon and inure to the benefit of the parties and their executors, administrators, personal representatives, heirs, successors and permitted assigns. Except as set forth in this SUBSECTION (g), this Agreement does not create and shall not be construed as creating any rights enforceable by any Person not a party hereto.

(h) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provisions in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amended and Restated Stockholders Agreement as of the day and year first above written.

The Company:

INTERNATIONAL LOGISTICS LIMITED

By: /s/ ROGER E. PAYTON

-----

Roger E. Payton  
President and  
Chief Executive Officer

Holders:

TCW SPECIAL CREDITS FUND V - THE  
PRINCIPAL FUND

By: TCW ASSET MANAGEMENT COMPANY,  
its General Partner

By: /s/ STEPHEN A. KAPLAN  
-----  
Stephen A. Kaplan  
Authorized Signatory

By: /s/ VINCENT J. CEBULA  
-----  
Vincent J. Cebula  
Authorized Signatory

OCM PRINCIPAL OPPORTUNITIES FUND, L.P.

By: OAKTREE CAPITAL MANAGEMENT, LLC,  
its General Partner

By: /s/ STEPHEN A. KAPLAN  
-----  
Stephen A. Kaplan  
Principal

By: /s/ VINCENT J. CEBULA  
-----  
Vincent J. Cebula  
Managing Director

LOGISTICAL SIMON, L.L.C.

By: WESINVEST, Inc.  
its Manager

By: /s/ MICHAEL B. LENARD  
-----  
Michael B. Lenard  
President

[signature page continues]

ING CAPITAL (U.S.) CORPORATION

By: /s/  
-----

Name:  
Title:

BANQUE PARIBAS

By: /s/ STEVEN M HEINEN  
-----

Name: Steven M. Heinen  
Title: Director

PARIBAS NORTH AMERICA, INC.

By: /s/ JOHN G. MARTINEZ  
-----

Name: John G. Martinez  
Title: Financial Controller

/s/ ROGER E. PAYTON  
-----

Roger E. Payton, as an individual

/s/ GARY S. HOLTER  
-----

Gary Holter, as an individual

/s/ LARRY MARZULLO  
-----

Larry Marzullo, as an individual

/s/ WILLIAM E. MYERS, JR.  
-----

William E. Myers, Jr., as an individual

/s/ KURT KAMM  
-----

Kurt Kamm, as an individual

/s/ William Kidd  
-----

William Kidd, as an individual

/s/ David W.M. Harvey  
-----

David W.M. Harvey, as an individual

[signature page continues]

/s/ Brian E. Sanderson

-----  
Brian E. Sanderson, as an individual

/s/ Edward R. Mandell

-----  
Edward R. Mandell, as an individual

/s/ Kenneth S. Ogden

-----  
Kenneth S. Ogden, as an individual

/s/ James L. Mazzuca

-----  
James L. Mazzuca, as an individual

/s/ Mark Lundgren

-----  
Mark Lundgren, as an individual

/s/ Paul Stone

-----  
Paul Stone, as an individual

/s/ Christine Stone

-----  
Christine Stone, as an individual

/s/ Douglas Cruikshank

-----  
Douglas Cruikshank, as an individual

/S/ Ronald S. Cruse

-----  
Ronald S. Cruse, as an individual

/s/ Steve Hitchcock

-----  
Steve Hitchcock, as an individual

/s/ Paul D. Smith  
-----

Paul D. Smith, as an individual

/s/ Abe Ranish  
-----

Abe Ranish, as an individual

/s/ Luis Solis  
-----

Luis Solis, an individual

[signature page continues]

/s/ Larry Tieman  
-----

Larry Tieman, an individual

/s/ Joe Monaghan  
-----

Joe Monaghan, an individual

/s/ Ben Cassell  
-----

Ben Cassell, an individual

/s/ Randy Valentino  
-----

Randy Valentino, an individual

/s/ Diego Hidalgo  
-----

Diego Hidalgo, an individual

/s/ Louis Mitchell  
-----

Louis Mitchell, an individual

/s/ Sam Schotsky

-----  
Sam Schotsky, an individual

/s/ Dave Martin

-----  
Dave Martin, an individual

/s/ Russ Krueger

-----  
Russ Krueger, an individual

/s/ Ove Anderson

-----  
Ove Anderson, an individual

/s/ Jim Bruder

-----  
Jim Bruder, an individual

/s/ Peter Schwerdt

-----  
Peter Schwerdt, an individual

/s/ Ron Evinou

-----  
Ron Evinou, an individual

/s/ Bruno Setz

-----  
Bruno Setz, an individual

/S/ Manoutchehr Ardalan

-----  
Manoutchehr Ardalan, an individual

/s/ J.G. Birrell

J.G. Birrell, an individual

/s/ Donald D. Branson

-----  
Donald D. Branson, an individual

/s/ John Connolly

-----  
John Connolly, an individual

/s/ Robert J. Fruchterman

-----  
Robert J. Fruchterman, an individual

/s/ Deborah A. MacDougall

-----  
Deborah A. MacDougall, an individual

/s/ Mitchell J. Martin

-----  
Mitchell J. Martin, an individual

/s/ Christian E. Meyer

-----  
Christian E. Meyer, an individual

/s/ Stephen J. Zimmer

-----  
Stephen J. Zimmer, an individual

/s/ Jack Wasp

-----  
Jack Wasp, an individual

/s/ Wolfgang Hollermann

-----  
Wolfgang Hollermann, an individual

/s/ Andrew Bernard

-----  
Andrew Bernard, an individual



[signature page continues]

ELGAR TRADING LIMITED

By: /s/ Ronald Jackson

-----  
Ronald Jackson, as attorney  
in fact for Elgar Trading Limited

COTECH COMPANY INC.

By: /s/ Ronald Jackson

-----  
Ronald Jackson, as attorney  
in fact for Elgar Trading Limited

HERA VENTURES LIMITED

By: /s/ Ronald Jackson

-----  
Ronald Jackson, as attorney  
in fact for Elgar Trading Limited

/s/ Anthony J. Quinn

-----  
Anthony J. Quinn, an individual

/s/ Sergey Kuzminykh

-----  
Sergey Kuzminykh, an individual

/s/ Audrey Jackel

-----  
Audrey Jackel, an individual

/s/ Sherry Aaholm

-----  
Sherry Aaholm, an individual

/s/ Grant Wattman

Grant Wattman, an individual

/s/ Charlie Hitt

-----  
Charlie Hitt, an individual

/s/ Mark Jerome

-----  
Mark Jerome, an individual

[signature page continues]

/s/ Ron Jackson

-----  
Ron Jackson, an individual

/s/ George Milton

-----  
George Milton, an individual

[signature page continues]

EXHIBIT "A"

| HOLDERS  | COMMON STOCK | WARRANTS |
|--|--------------|----------|
| -----  |              |          |
| TCW SPECIAL CREDITS FUND V -<br>THE PRINCIPAL FUND | 695,575      | 0        |
| OCM PRINCIPAL OPPORTUNITIES<br>FUND, L.P.          | 600,000      | 0        |
| LOGISTICAL SIMON, L.L.C.                           | 469,532      | 125,000  |
| ROGER E. PAYTON                                    | 20,012*      | 175,000  |

|                                   |        |          |
|-----------------------------------|--------|----------|
| GARY HOLTER                       | 10,000 | 37,500   |
| LARRY MARZULLO                    | 19,200 | 10,000   |
| ING                               | 18,718 | 5,025**  |
| BANQUE PARIBAS                    | 17,500 | 5,025*** |
| PARIBAS NORTH AMERICA, INC.       | 70,175 | 0        |
| WILLIAM E. MYERS, JR.             | 0      | 59,938   |
| BRIAN E. SANDERSON                | 0      | 14,983   |
| KURT KAMM                         | 0      | 6,516    |
| WILLIAM KIDD                      | 0      | 6,516    |
| EDWARD R. MANDELL                 | 196    | 266      |
| DAVID W.M. HARVEY                 | 0      | 5,620    |
| KENNETH S. OGDEN                  | 1,000* | 0        |
| JAMES L. MAZZUCA                  | 2,500* | 0        |
| PAUL STONE AND<br>CHRISTINE STONE | 500    | 5,000    |
| DOUGLAS CRUIKSHANK                | 24,000 | 0        |
| RONALD S. CRUSE                   | 24,000 | 0        |
| STEVE HITCHCOCK                   | 24,000 | 0        |
| PAUL D. SMITH                     | 24,000 | 0        |
| ABE RANISH                        | 9,000  | 0        |
| LUIS SOLIS                        | 7,000  | 37,500   |
| LARRY TIEMAN                      | 1,000  | 37,500   |
| JOE MONAGHAN                      | 0      | 30,000   |
| BEN CASSELL                       | 1,000  | 0        |
| RANDY VALENTINO                   | 500    | 0        |
| DIEGO HIDALGO                     | 3,500  | 0        |

[table continued on next page]

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|                                   |       |        |
|-----------------------------------|-------|--------|
| SAM SCHOTSKY                      | 600   | 0      |
| DAVE MARTIN                       | 500   | 0      |
| RUSS KRUEGER                      | 500   | 0      |
| OVE ANDERSON                      | 500   | 0      |
| JIM BRUDER                        | 500   | 0      |
| PETER SCHWERDT                    | 500   | 0      |
| RON EVINOU                        | 500   | 0      |
| BRUNO SETZ                        | 2,500 | 0      |
| MANOUTCHEHR ARDALAN               | 500   | 0      |
| J.G. BIRRELL                      | 500   | 0      |
| DONALD D. BRANSON                 | 3,333 | 0      |
| JOHN CONNOLLY                     | 1,700 | 0      |
| ROBERT J. FRUCHTERMAN             | 1,000 | 0      |
| DEBORAH A. MacDOUGALL             | 1,667 | 0      |
| MITCHELL J. MARTIN                | 1,000 | 0      |
| CHRISTIAN E. MEYER                | 500   | 0      |
| STEPHEN J. ZIMMER                 | 500   | 0      |
| ILL DEFERRED COMPENSATION<br>PLAN | 3,168 | 0      |
| HERA VENTURES LIMITED             | 0     | 7,323  |
| COTECH COMPANY INC.               | 0     | 42,361 |
| ELGAR TRADING LIMITED             | 0     | 42,361 |
| ANTHONY J. QUINN                  | 3,333 | 37,500 |

|                  |              |          |
|------------------|--------------|----------|
| SERGEY KUZMINYKH | 3,333        | 0        |
| AUDREY JACKEL    | 2,500        | 0        |
| SHERRY AAHOLM    | 500          | 0        |
| GRANT WATTMAN    | 2,000        | 0        |
| CHARLIE HITT     | 1,334        | 0        |
| MARK JEROME      | 850          | 0        |
| RON JACKSON      | 0            | 8,000    |
| GEORGE MILTON    | 0            | 12,500   |
| TOTAL            | 2,076,726    | 711,434  |
|                  | Common Stock | Warrants |

- \* Excludes shares which are held by the ILL Deferred Compensation Plan for the benefit of Roger E. Payton (2,488), Jim Mazzuca (247) and Scott Ogden (433).
- \*\* Excludes up to 1,624 Warrants exercisable if WES&S, Payton and ING Capital (U.S.) Corporation exercise 100% of the Warrants issued to each of them on May 2, 1996.
- \*\*\* Excludes up to 1,624 Warrants exercisable if WES&S, Payton and Banque Paribas exercise 100% of the Warrants issued to each of them on May 2, 1996.

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#### EXHIBIT "B"

ROGER E. PAYTON  
 GARY HOLTER  
 LARRY MARZULLO  
 KENNETH S. OGDEN  
 JAMES L. MAZZUCA  
 MARK LUNDGREN  
 PAUL STONE AND  
 CHRISTINE STONE  
 DOUGLAS CRUIKSHANK

RON JACKSON  
 GEORGE MILTON  
 RUSS KRUEGER  
 OVE ANDERSON  
 JIM BRUDER  
 PETER SCHWERDT  
 RON EVINOU  
 BRUNO SETZ

RONALD S. CRUSE  
STEVE HITCHCOCK  
PAUL D. SMITH  
ABE RANISH  
LUIS SOLIS  
LARRY TIEMAN  
JOE MONAGHAN  
BEN CASSELL  
RANDY VALENTINO  
DIEGO HIDALGO  
LOUIS MITCHELL  
SAM SCHOTSKY  
DAVE MARTIN  
SHERRY AAHOLM  
GRANT WATTMAN  
CHARLIE HITT  
MARK JEROME

MANOUTCHEHR ARDALAN  
J.G. BIRRELL  
DONALD D. BRANSON  
JOHN CONNOLLY  
ROBERT J. FRUCHTERMAN  
DEBORAH A. MACDOUGALL  
MITCHELL J. MARTIN  
CHRISTIAN E. MEYER  
STEPHEN J. ZIMMER  
JACK WASP  
HERA VENTURES LIMITED  
WOLFGANG HOLLERMANN  
COTECH COMPANY INC.  
ANDREW BERNARD  
ELGAR TRADING LIMITED  
ANTHONY J. QUINN  
SERGEY KUZMINYKH

AMENDED AND RESTATED LOAN AGREEMENT

DATED AS OF OCTOBER 28, 1997

BY AND AMONG

INTERNATIONAL LOGISTICS LIMITED,  
(the "Company," as additional obligor under the covenants)

THE BEKINS COMPANY  
MATRIX INTERNATIONAL LOGISTICS, INC.  
ILLCAN, INC.  
ILLSCOT, INC.  
LEP PROFIT INTERNATIONAL, INC.

AND

LEP INTERNATIONAL LIMITED

AS BORROWERS

ING (U.S.) CAPITAL CORPORATION,  
AS ADMINISTRATIVE AGENT

AND

THE LENDERS PARTY HERETO

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## EXHIBITS

-----

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## SCHEDULES

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## AMENDED AND RESTATED LOAN AGREEMENT

-----

Dated as of October 28, 1997

This AMENDED AND RESTATED LOAN AGREEMENT ("Agreement") is entered into by and among International Logistics Limited, a Delaware corporation (the "Company"), Matrix International Logistics, Inc., a Delaware corporation, LEP Profit International, Inc. a Delaware corporation, The Bekins Company, a Delaware corporation, ILLCAN, Inc., a Delaware corporation,

and ILLSCOT, Inc., a Delaware corporation (collectively, the Domestic Borrowers"), LEP International Limited, a company organized under the Laws of England ("LEP UK" and collectively with the Domestic Borrowers, "Borrowers"), ING (U.S.) Capital Corporation ("ING Capital") and each other lender whose name is set forth on the signature pages hereof or which may hereafter execute and deliver an instrument of assignment with respect to this Agreement pursuant to Section 12.8 (collectively, the "Lenders" and, individually, a "Lender"), ING Capital, as Administrative Agent, and ING Bank, n.v. (London, England Branch), as facilitator of the UK Commitment (and not as a "Lender"). The parties agree with reference to the following facts:

A. The Company, the lenders named therein, Banque Paribas, as Administrative Agent (the "Prior Agent") and a Co-Agent, and ING Capital, as Co-Agent have previously entered into a Loan Agreement (as heretofore amended, the "Existing Loan Agreement") dated as of October 31, 1996.

B. Substantially concurrently herewith, the Company is issuing \$110,000,000 of its Senior Notes (the "Senior Notes" described below).

C. The Company intends to use the proceeds of the Senior Notes, together with the proceeds of Loans under this Agreement, to repay certain Indebtedness, to refinance the Indebtedness under the Existing Loan Agreement, and for the other permitted purposes described herein.

D. In order to provide for access by its direct Subsidiaries to credit, the Company has requested that the parties amend and restate the Existing Loan Agreement and the other "Loan Documents" referred to therein to provide for the \$100,000,000 credit facility for the Domestic Borrowers and the \$30,000,000 credit facility for LEP UK described herein, PROVIDED that the aggregate amount of

the Loans and Letters of Credit outstanding hereunder shall not exceed \$100,000,000 at any time and are subject to the borrowing base limitations described herein.

E. The parties have agreed to concurrently nominate and appoint ING Capital as successor Administrative Agent.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

1.1 DEFINED TERMS. As used in this Agreement, the following terms

shall have the meanings set forth below:

"ACQUISITION" means any transaction, or any series of related transactions, by which the Company or any of its Restricted Subsidiaries directly or indirectly (a) acquires any going business or all or substantially all of the assets of any firm, partnership, joint venture, corporation or division thereof, whether through purchase of assets, merger or otherwise, (b) acquires (in one transaction or as the most recent transaction in a series of transactions) control of at least a majority in ordinary voting power of the securities of a corporation which have ordinary voting power for the election of directors, or (c) acquires control of a 50% or more ownership interest in any partnership, limited liability company or joint venture.

"ACTIVE SUBSIDIARY" means, as of any date of determination, any Restricted Subsidiary of the Company other THAN any Inactive Subsidiary.

"ADMINISTRATIVE AGENT" means ING Capital, when acting in its capacity as the Administrative Agent under any of the Loan Documents and any successor Administrative Agent.

"ADMINISTRATIVE AGENT'S OFFICE" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent may designate by written notice to the Company and the Lenders.

"ADVANCE" means any Advance made or to be made by any Lender to any of the Borrowers as provided in Article II.

"AFFILIATE" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); PROVIDED that, in any event, any Person that owns, directly or indirectly, 10% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation that has more than 100 record owners, or 10% or more of the partnership or other ownership interests of any other Person that has more than 100 record owners, will be deemed to control such corporation or other Person.

"AGENT AND CONTRACTOR RECEIVABLES" means all accounts receivable of BVL for goods sold or services rendered to a customer which are to be or have been collected from the customer on behalf of BVL by a Representative Agent or Contractor and have not yet been remitted to BVL, and all advances made to Representative Agents or Contractors for the purpose of financing expenses incurred by such Representative Agents or Contractors in connection with the provision of services to customers of BVL.

"AGREEMENT" means this Amended and Restated Loan Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"APPROVED FOREIGN CUSTOMER" means customers of the Borrowers and their Restricted Subsidiaries, the Receivables of which are approved by the Administrative Agent for inclusion in the Eligible Domestic Receivables and the Eligible UK Receivables, subject to such restrictions, including dollar limitations, as the Administrative Agent may impose in its sole discretion. The Administrative Agent may, on not less than 10 days notice to the Company eliminate any Person as an Approved Foreign Customer, or change the restrictions applicable to that Person.

"AVERAGE AVAILABILITY" means, for each period, the average daily difference between (a) the aggregate outstanding principal amount of the Loans PLUS the aggregate effective face amount of all Letters of Credit, and (b) the LESSER of (i) the sum of the Domestic Borrowing Bases and the UK Borrowing Base, and (ii) \$100,000,000 or such lesser amount to which the Domestic Commitment has been reduced in accordance with Section 2.3.

"AVERAGE UNUSED COMMITMENT" means, for each period, the average daily difference between (a) the aggregate outstanding principal amount of the Loans PLUS the aggregate effective face amount of all Letters of Credit, and (b) \$100,000,000 or such lesser amount to which the Domestic Commitment has been reduced in accordance with Section 2.3.

"BASE RATE" means the arithmetic average of the rates of interest publicly announced by The Chase Manhattan Bank, Citibank, N.A. and Morgan Guaranty Trust Company of New York (or their respective successors) as their respective prime commercial lending rates (or, as to any such bank that does not announce such a rate, such bank's "base" or other rate determined by the Administrative Agent to be the equivalent rate announced by such bank), except that, if any such bank shall, for any period, cease to announce publicly its prime commercial lending (or equivalent) rate, the Administrative Agent shall, during such period, determine the "Prime Rate" based upon the prime commercial lending (or equivalent) rates announced publicly by the other such banks.

"BASE RATE LOAN" means a Loan made at a rate of interest based upon the Base Rate.

"BASE RATE MARGIN" means: (a) during the period from the Closing Date through March 31, 1998, 0.50% per annum, (b) during each Pricing Period or portion thereof occurring during the prior from April 1, 1998 through the day prior to the first anniversary of the Closing Date, the LESSER OF (i) 0.50% per annum and (ii) the percentage set forth opposite the Funded Debt Ratio for the Fiscal Quarter ending 45 days prior to the commencement of such Pricing Period, and (c) during each Pricing Period or portion thereof occurring after the first anniversary of the Closing Date, the percentage set forth below opposite the Funded Debt Ratio for the Fiscal Quarter ending 45 days prior to the

commencement of such Pricing Period:

| FUNDED DEBT RATIO<br>-----                      | APPLICABLE BASE RATE MARGIN<br>----- |
|---|--------------------------------------|
| Equal to or greater than 6.00 to 1.00           | 1.00%                                |
| Less than 6.00:1.00 but not less than 5.50:1.00 | 0.75%                                |
| Less than 5.50:1.00 but not less than 4.50:1.00 | 0.50%                                |
| Less than 4.50:1.00 but not less than 4.00:1.00 | 0.25%                                |
| Less than 4.00:1.00                             | 0.00%                                |

"BEKINS" means The Bekins Company, a Delaware corporation, its successors and permitted assigns.

"BEST KNOWLEDGE" means, where it modifies a statement that, after reasonable inquiry, nothing has come to the attention of any Senior Officer of the Company, any Borrower or any relevant Restricted Subsidiary which would render the statement incorrect or misleading in any respect.

"BLOCKED ACCOUNT AGREEMENT" means a letter agreement in substantially the form of Exhibits N-3, N-4 or N-5 to the Existing Loan Agreement.

"BLOCKED ACCOUNTS" means any demand or time deposit account maintained at a financial institution that is subject to a Blocked Account Agreement.

"BORROWING BASE CERTIFICATE" means a report in the form of Exhibit A, properly completed and executed by a Responsible Official of the Company, calculating in sufficient detail the Domestic Borrowing Bases and the UK Borrowing Base, based on a new accounts receivable aging as of the last Business Day of the relevant period.

"BPS" or L means lawful currency of the United Kingdom.

"BREAKAGE FEE" means the fee set forth in Section 3.5(g) hereof.

"BUSINESS DAY" means any Monday, Tuesday, Wednesday, Thursday or Friday, OTHER THAN a day on which banks are authorized or required to be closed in

New York, Los Angeles or Chicago or a day on which any of the Lenders' relevant U.S. offices are closed or (in connection with any Loan or Advance made to, or Letter of Credit issued to, LEP UK) London.

"BVL" means Bekins Van Lines Co., a Nebraska corporation, its



Subsidiaries, and each of their respective successors and permitted assigns.

"CAN PLAN" means any pension or other similar employee benefit plan which is subject to Canadian law and which is: (a) a plan maintained by the Company or any of its Subsidiaries; (b) a plan to which the Company or any of its Subsidiaries contributes or is required to contribute; (c) a plan to which the Company or any of its Subsidiaries was required to make contributions at any time during the five calendar years preceding the date of this Agreement; or (d) any other plan with respect to which the Company or any of its Subsidiaries has incurred or may incur liability, including contingent liability, either to such plan or to any Person, including any administrator or Governmental Agency.

"CAN PLAN TERMINATION EVENT" means, with respect to any CAN Plan, the occurrence of any of the following: (a) the cessation (in whole or in part) by the Company or any of its Subsidiaries of its participation in a CAN Plan during a plan year, (b) the filing of a notice of intent to terminate or wind up (in whole or in part) a CAN Plan or the treatment of a CAN Plan amendment, reorganization or other event or circumstance as such a termination or wind up; (c) the doing of or failure to do any act or thing in furtherance of any termination or wind up (in whole or in part) of any CAN Plan or which may result in such termination or wind up; (d) the institution or threatened institution of any proceedings or action by the Pension Commission of Ontario, any other Governmental Agency or any other Person to terminate, wind up (in whole or in part) or have a trustee or provisional administrator appointed to administer a CAN Plan; (e) any determination that a termination or wind up (in whole or in part) of any CAN Plan has occurred or will occur; (f) the Company or any of its Subsidiaries is required to make any payment in respect of any unfunded liability or solvency deficiency in respect of any CAN Plan in addition to its minimum regular monthly contribution amounts required from time to time (Inclusive of current service, unfunded liability and solvency deficiency payments) in respect thereof; or (g) any other event or condition which may, as determined by the Administrative Agent in the exercise of its discretion, constitute grounds for the termination or wind up (in whole or in part) of, or the appointment of a trustee or provisional administrator to administer, any CAN Plan or which may (as

determined by the Administrative Agent in its discretion) give rise to any Lien in favor of any Person.

"CANADIAN DOLLARS" or "CAN\$" means lawful currency of Canada.

"CANADIAN SECURITY DOCUMENTS" means, collectively, an Acknowledgment Agreement (in regard to certain existing guarantees, debentures, debenture pledge agreements and hypothecs), a General Assignment of Book Debts, Book Accounts and a Hypothec to be executed by LEP Canada in favor of the Administrative Agent together with any instrument or document of security now or hereafter executed by LEP Canada in favor of the Agent or any of the Lenders.

"CANADIAN SUBSIDIARY" means any Subsidiary of the Company which is



incorporated or continued under the laws of Canada or any province of Canada.

"CAPITAL LEASE" means, as to any Person, a lease of any Property by that Person as lessee that is, or should be, in accordance with Financial Accounting Standards Board Statement No. 13, as amended from time to time, or, if such Statement is not then in effect, such other statement of Generally Accepted Accounting Principles as may be applicable, recorded as a "capital lease" on the balance sheet of that Person prepared in accordance with Generally Accepted Accounting Principles.

"CASH" means, when used in connection with any Person, all monetary and nonmonetary items owned by that Person that are treated as cash in accordance with Generally Accepted Accounting Principles.

"CASH EQUIVALENTS" means, when used in connection with any Person, that Person's Investments in: (a) Government Securities due within one year after the date of the making of the Investment; (b) readily marketable direct obligations of any State of the United States of America or any political subdivision of any such State given on the date of such investment a credit rating of at least Aa by Moody's Investors Service, Inc. or AA by Standard & Poor's Corporation, in each case due within one year after the date of the making of the Investment (or, in the case of LEP UK, and readily marketable direct obligations of the United Kingdom of similar maturities deemed by LEP UK to have a similar creditworthiness); (c) certificates of deposit issued by, bank deposits in, eurodollar deposits through, bankers acceptances of, and reverse repurchase agreements covering Government Securities executed by any Lender or any bank, savings and loan or savings

bank doing business in and incorporated under the Laws of the United States of America or any State thereof or of any of the "G-12" nations and having on the date of such Investment combined capital, surplus and undivided profits of at least \$250,000,000, in each case due within one year after the date of the making of the Investment; (d) certificates of deposit issued by, bank deposits in, eurodollar deposits through, bankers acceptances of, and reverse repurchase agreements covering Government Securities executed by any branch or office located in the United States of America or any such G-12 nation of a bank incorporated under the Laws of any jurisdiction outside the United States of America or any such G-12 nation having on the date of such Investment combined capital, surplus and undivided profits of at least \$500,000,000, in each case due within one year after the date of the making of the Investment; and (e) readily marketable commercial paper of corporations doing business in and incorporated under the Laws of the United States of America or any State thereof given on the date of such Investment the highest credit rating by Moody's Investors Service, Inc. and Standard & Poor's Corporation, in each case due within 270 days after the date of the making of the Investment (or, in the case of LEP UK, any readily marketable obligations of United Kingdom corporations deemed by LEP UK to have a similar creditworthiness).

"CERTIFICATE OF A RESPONSIBLE OFFICIAL" means a certificate signed by

a Responsible Official of the Person providing the certificate.

"CHANGE OF CONTROL EVENT" means the occurrence of any of the following events with respect to the Company:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (i) such person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the then outstanding common stock of the Company; PROVIDED, HOWEVER, that for purposes of this clause (i), the Permitted Holders shall be deemed to beneficially own any common stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the

aggregate a majority of the voting power of the common stock of the parent corporation;

(ii) during any period of two consecutive years commencing after the Company's initial Public Equity Offering, individuals who at the beginning of such period constituted the board of directors of the Company (together with any new directors whose election of such board of directors or whose nomination for election by the shareholders of the Company was approved by a vote of 66 2/3% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(iii) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (in each case other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the common stock of the Company are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving corporation or a parent corporation that owns all of the capital stock of such corporation that represent immediately after such transaction, at least a majority of the aggregate voting power of the common stock of the surviving corporation or such parent corporation, as the case may be;

(iv) If no Public Equity Offering has then occurred, the sale transfer or other disposition by each Sponsor of common stock (other than to another Sponsor) which results in failure of each Sponsor to collectively own, beneficially and of record, and control the power to vote, at least 75% of the common stock of the Company owned by it as of the Closing Date if, as of the date of such sale, transfer or other disposition, the Interest Charge Coverage Ratio is less than 2.25:1.00; and

(v) If a Public Equity Offering has then occurred, the sale transfer or other disposition by each Sponsor of common stock which results in the failure of

the each Sponsor to own, beneficially and of record, and control the power to vote, at least 50% of the common stock of the Company owned by them as of the Closing Date if, as of the date of such sale, transfer or other disposition, the Interest Charge Coverage Ratio is less than 2.25:1.00.

"CLOSING DATE" means the date upon which the conditions set forth in Section 9.1 are satisfied, and the initial Loans hereunder are made.

"CODE" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"COLLATERAL" means, collectively, all of the collateral subject to the Liens, or intended to be subject to the Liens, created by the Collateral Documents.

"COLLATERAL DOCUMENTS" means collectively the Pledge and Security Agreements, the Drop-Down Note Pledge and Security Agreements, the UK Security Documents, the Canadian Security Documents, and any other pledge agreement, hypothecation agreement, security agreement, assignment, deed of trust, mortgage or similar instrument executed by the Company or any of its Restricted Subsidiaries in favor of the Administrative Agent or any Creditor to secure any of the Obligations.

"COMMISSION" means the Securities and Exchange Commission.

"COMMITMENT ASSIGNMENT AND ACCEPTANCE" means a Commitment Assignment and Acceptance substantially in the form of Exhibit B.

"COMMITMENTS" means, collectively, the Domestic Commitment and the U.K. Commitment. As of the Closing Date, ING Capital is the holder of the entire Commitment.

"COMPLIANCE CERTIFICATE" means a certificate in the form of Exhibit C, properly completed and signed by a Senior Officer of each Borrower.

"CONCENTRATION ACCOUNT" means (a) in the case of the Domestic Borrowers, account 187-437-9 established at Harris Trust and Savings Bank, and (b) in the case of LEP UK, a demand deposit account established at ING Bank, n.v. (London Branch), or in either case or any other account bank acceptable to the Administrative Agent. The

Concentration Accounts have been established for the purpose of accepting direct deposits as well as deposits or transfers of funds from Depositary Accounts and Lockbox Accounts. The Concentration Accounts are the sole property of the Administrative Agent, for the collective benefit of the Lenders, and are the subject of a Concentration Account Agreement.

"CONCENTRATION ACCOUNT AGREEMENT" means a letter agreement substantially in the form of Exhibit W to the Existing Loan Agreement.

"CONTINGENT OBLIGATION" means, as to any Person, any (a) direct or indirect guaranty of Indebtedness of, or other obligation performable by, any other Person, INCLUDING any endorsement (other than for collection or deposit in the ordinary course of business), co-making or sale with recourse of the obligations of any other Person or (b) contractual assurance (not arising solely by operation of Law) given to an obligee with respect to the performance of an obligation by, or the financial condition of, any other Person, whether direct, indirect or contingent, INCLUDING any purchase or repurchase agreement covering such obligation or any Collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item to such other Person, or any other arrangement of whatever nature having the effect of assuring or holding harmless any obligee against loss with respect to any obligation of such other Person including without limitation any "keep-well", "take-or-pay" or "through-put" agreement or arrangement. The amount of any Contingent Obligation issued in support of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation (unless the Contingent Obligation is limited by its terms to a lesser amount, in which case to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith. The amount of any other Contingent Obligation shall be zero until and unless, pursuant to GAAP, an amount in respect of such Contingent Obligation is required to be included on the face of the balance sheet of such Person (and not merely as a note thereto), at which time the amount of such Contingent Obligation shall be the amount so required to be included.

"CONTRACTOR" means any owner/operator engaged in the transportation of household goods or other general commodities as an independent contractor who has entered into a contract (OTHER THAN a Representative Agency Agreement) with BVL for the purpose of providing moving and related services to customers of BVL.

"CONTRACTUAL OBLIGATION" means, as to any Person, any provision of any outstanding Securities issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"CREDITORS" means, collectively, the Administrative Agent, each Lender, the Issuing Lender, and ING UK.

"CREDIT LIMIT" means, as of each date of determination (a) \$100,000,000 or such lower amount to which the Commitments have been reduced in accordance with Section 2.3, MINUS (b) the Foreign Currency Reserve.

"DEBTOR RELIEF LAWS" means the Bankruptcy Code of the United States of America, the Bankruptcy and Insolvency Act of Canada, the Companies' Creditors Arrangement Act of Canada and the Winding-Up Act of Canada, The Insolvency Act 1986 and the Companies Act of 1985 (as amended by the Companies Act of 1989) of England and Wales), as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws, including corporation Laws, from time to time in effect affecting the rights of creditors generally.

"DEFAULT" means any event that, with the giving of any applicable notice or passage of time specified in Section 10.1, or both, would be an Event of Default.

"DEFAULT RATE" means the interest rate set forth in Section 3.6.

"DEPOSITARY ACCOUNT" means a demand or time deposit account maintained with a financial institution used for the collection of Receivables and Cash held by the Company or its Restricted Subsidiaries.

"DISPOSITION" means the sale, transfer or other disposition in any single transaction or series of related transactions of (a) any of the capital stock, or all or substantially all of the assets of (i) of any Borrower, or (ii) any Active Subsidiary having assets with a value in excess of \$1,000,000, (b) all or substantially all of the assets of a division or comparable business segment of the Company or any Active Subsidiary, or (c) any other individual asset, or group of related assets, of the Company or any of its Restricted Subsidiaries having a value in excess of \$5,000,000, BUT EXCLUDING the sale or other disposition of equipment or other personal property that is replaced by equipment or

personal property, as the case may be, performing substantially the same function not later than 90 days after such sale or disposition.

"DISTRIBUTION" means, with respect to any shares of capital stock or any warrant or right to acquire shares of capital stock or any other equity

security issued by a Person, (a) the retirement, redemption, purchase, or other acquisition for value by such Person of any such security, (b) the declaration or (without duplication) payment by such Person of any dividend in Cash or in Property (other than in common stock of such Person) on or with respect to any such security, and (c) any Investment by such Person in any holder of 10% or more of the capital stock (or other equity securities) of such Person, if a purpose of such Investment is to avoid the characterization of the transaction between such Person and such holder as a Distribution under clause (a) or (b) above.

"DOLLARS" or "'\$" means United States dollars.

"DOMESTIC BORROWERS" has the meaning set forth in the preamble hereto.

"DOMESTIC BORROWING BASE" means, as to each Domestic Borrower and as of any date of determination, an amount determined by the Administrative Agent with reference to the most recent Borrowing Base Certificate equal to the sum of 85% of Domestic Eligible Receivables of that Domestic Borrower and its Restricted Subsidiaries, PROVIDED THAT upon ten (10) Business Days' prior written notice to the Company, the Administrative Agent may from time to time, in its good-faith discretion in accordance with prudent asset-based lending practices, and the Administrative Agent shall, upon the direction of the Majority Lenders (each acting in its good-faith discretion in accordance with prudent asset-based lending practices), establish such reasonable reserves against the Domestic Borrowing Base as it deems necessary and proper, INCLUDING, reasonable reserves for existing Liens and Rights of Others.

"DOMESTIC COMMITMENT" means, subject to Section 2.3, \$100,000,000.

"DOMESTIC ELIGIBLE RECEIVABLES" means, as of any date of determination, the unpaid principal amount of accounts receivable of the Domestic Borrowers and their Restricted Subsidiaries for goods sold or services rendered to a customer OTHER THAN Agent and Contractor Receivables (the "Domestic Receivables"), PROVIDED that such accounts receivable:

(a) arose in the ordinary course of business of the Domestic Borrowers or such Subsidiaries;

(b) represent amounts owed for goods sold or services rendered to a customer;

(c) in the case of accounts receivable which are the subject of an invoice to the customer, are due within 30 days of the invoice date and are not more than 90 days past due;

(d) do not have as the account debtor a Person that is the subject of any proceeding under any Debtor Relief Law;

(e) do not include accounts receivable of any account debtor if 50%



or more of the aggregate amount of such account debtor's balance is more than 90 days past the due date or 120 days past the original invoice date;

(f) do not have as the account debtor a Person which is located outside the United States of America other than an Approved Foreign Customer, unless (i) with respect to Canadian and Puerto Rican account debtors such account is payable in U.S. Dollars or, with respect to Canadian account debtors, such account is payable in Canadian Dollars and (ii) with respect to all foreign account debtors other than Canadian or Puerto Rican account debtors included in the immediately preceding clause (i), the obligations of such account debtor are backed by an irrevocable letter of credit issued or confirmed to the Administrative Agent by a Lender or by another bank reasonably acceptable to the Administrative Agent and is in form and substance acceptable to the Administrative Agent, payable in the full amount of the account in freely convertible U.S. Dollars at a place of payment within the United States;

(g) do not have as the account debtor a director, officer or employee of the Company or a Subsidiary of the Company;

(h) do not include accounts receivable (i) of Matrix which have the account debtor as the United States of America, or any department, agency or instrumentality thereof ("U.S. Government Accounts") to the extent such accounts receivable exceed 60% of the total accounts receivable of Matrix or (ii) which are

U.S. Government Accounts or which have as account debtors Canada or any Province (collectively with U.S. Government Accounts, "Government Accounts") to the extent such Government Accounts exceed 10% of Eligible Receivables unless the Company and its Subsidiaries, assign its right to payment of each such account receivable in excess thereof to the Administrative Agent, in a manner satisfactory to the Administrative Agent, so as to comply with, in the case of U.S. Government Accounts, the Assignment of Claims Act of 1940 (31 U.S.C. Section 203 ET SEQ., as amended) and, in the case of Canadian Government Accounts, the Financial Administration Act of Canada or any other similar legislation of any Province, as applicable (collectively "Governmental Assignment Regulations"). In any event, the inclusion of any Government Accounts in the Borrowing Base shall be at the sole discretion of the Administrative Agent and Lenders;

(i) do not have an agreement between the account debtor and the Company or any Subsidiary of the Company to extend the time of payment thereof;

(j) do not have as the account debtor an Affiliate of the Company or any Subsidiary of the Company (including intercompany receivables) or of any Contractor or Representative Agent;

(k) are valid and legally enforceable obligations of the account debtor with respect thereto, and do not have as the account debtor a Person which has asserted any substantial defense, counterclaim or offset with respect

to such account receivable; and

(1) are subject to a first priority perfected and registered security interest in favor of the Administrative Agent pursuant to the Collateral Documents, except for compliance with provisions of any applicable Governmental Assignment Regulations with respect to accounts receivables which are Government Accounts which are included in Domestic Eligible Receivables pursuant to clause (h) (the foregoing being the "Gross Domestic Eligible Receivables");

AND MINUS (y) reserves for goods and services taxes, customs duties and/or excise taxes as determined by the Administrative Agent from time to time and MINUS

(z) the product of (1) the ratio of the total amount of Gross Domestic Eligible Receivables divided by the total amount of Domestic Receivables, TIMES (2) all unapplied cash which has not been applied to account debtor's balances as of such date.

"DOMESTIC LETTER OF CREDIT" means each Letter of Credit issued by the Issuing Lender under the Domestic Commitment.

"DOMESTIC LOAN" means each loan made by the Lenders under the Domestic Commitment.

"DOMESTIC NOTES" means, collectively, the promissory notes made by the Domestic Borrowers to evidence the Domestic Loans.

"DROP-DOWN NOTES" means the promissory notes executed by each Active Subsidiary of the Company (other than LEP UK and LIWDE) evidencing inter-company advances made to that Active Subsidiary, in each case, as the same may from time to time be supplemented, modified, amended, restated, renewed, extended or supplanted. The Drop-Down Notes executed by the Borrowers shall be made payable to the Company. The Drop-Down Notes executed by each Active Subsidiary (other than the Borrowers and LIWDE) shall be made payable to the Borrower which is the direct or indirect corporate parent of that Active Subsidiary.

"DROP-DOWN NOTE PLEDGE AND SECURITY AGREEMENT" means the Pledge and Security Agreements executed by each of the Active Subsidiaries other than the Borrowers, LEP UK and LEP Canada in favor of the payee of the Drop-Down Note executed by that Active Subsidiary, as the same may from time to time be supplemented, modified, amended, restated, renewed, extended or supplanted.

"DROP-DOWN NOTE SUBORDINATION AGREEMENT" means the Drop Down Note Subordination Agreement executed by the Company, the Domestic Borrowers and the Administrative Agent and acknowledged by the Active Subsidiaries of each Domestic Borrower, as the same may from time to time be supplemented, modified, amended, restated, renewed, extended or supplanted.



"EBITDA" means, for any period, the sum, for the Company and its consolidated Subsidiaries (determined on a consolidated basis without duplication in

accordance with Generally Accepted Accounting Principles), of the following: (a) net income (excluding extraordinary and unusual items and income or loss attributable to equity in Affiliates) for such period PLUS (b) Interest Charges PLUS (c) income taxes payable or accrued PLUS (d) depreciation and amortization for such period PLUS (e) all other non-Cash charges; MINUS (f) that portion of net income arising out of the sale of assets outside of the ordinary course of business (to the extent not previously excluded under clause (a) of this definition), in each case to the extent included in determining net income for such period.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"ERISA AFFILIATE" means, with respect to any Person, any Person or any trade or business, whether or not incorporated) that is under common control with that Person within the meaning of Section 414(b) or (c) of the Code.

"EURODOLLAR LOAN" means a Loan made at a rate of interest based upon the Eurodollar Rate.

"EURODOLLAR RATE" means, for any Interest Period for any Eurodollar Rate Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the offered rate for deposits in Dollars (in the same approximate amount and having approximately the same maturity as the Eurodollar Rate Loan to be made) in the London interbank eurodollar market at approximately 11:00 a.m. (London time), which appears on the Telerate Screen 3750 or, if such rate does not appear on the Telerate Screen, such rate as determined in good faith by the Administrative Agent, two Business Days prior to the first day of the Interest Period for such Eurodollar Rate Loan.

"EURODOLLAR RATE MARGIN" means: (a) during the period from the Closing Date through March 31, 1998, 2.00% per annum, (b) during each Pricing Period or portion thereof occurring during the prior from April 1, 1998 through the day prior to the first anniversary of the Closing Date, the LESSER OF (i) 2.00% per annum and (ii) the percentage set forth opposite the Funded Debt Ratio for the Fiscal Quarter ending 45 days prior to the commencement of such Pricing Period, and (c) during each Pricing Period or portion thereof occurring after the first anniversary of the Closing Date, the percentage set

forth below opposite the Funded Debt Ratio for the Fiscal Quarter ending 45 days prior to the commencement of such Pricing Period:

## FUNDED DEBT RATIO

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## EURODOLLAR RATE MARGIN

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|   |       |
|---|-------|
| Equal to or greater than 6.00 to 1.00           | 2.50% |
| Less than 6.00:1.00 but not less than 5.50:1.00 | 2.25% |
| Less than 5.50:1.00 but not less than 4.50:1.00 | 2.00% |
| Less than 4.50:1.00 but not less than 4.00:1.00 | 1.75% |
| Less than 4.00:1.00                             | 1.50% |

"EVENT OF DEFAULT" shall have the meaning provided in Section 10.1

"EXISTING LOAN AGREEMENT" means the Loan Agreement dated as of October 31, 1996 referred to in the recitals to this Agreement, as heretofore amended.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11 a.m. (New York time) for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"FEE LETTER" means the letter agreement dated as of the Closing Date between the Company and the Administrative Agent.

"FISCAL QUARTER" means the fiscal quarter of the Company consisting of a three-month fiscal period ending on each March 31, June 30, September 30 and December 31.

"FISCAL YEAR" means the fiscal year of the Company consisting of a 12-month fiscal period ending on each December 31.

"FOREIGN CURRENCY OBLIGATION" means all Obligations with respect to or arising out of Loans and Letters of Credit which are denominated in a currency other than Dollars.

"FOREIGN CURRENCY RESERVE" means an amount equal to 5% the U.S. Dollar Equivalent of all outstanding Foreign Currency Obligations.

"FOREIGN EXCHANGE RATE" means, with respect to each Foreign Currency Obligation, the currency exchange rate at which the Administrative Agent values

the relevant foreign currency or currencies for the purpose of establishing the Foreign Currency Reserve. The Administrative Agent shall establish the Foreign Exchange Rate for each relevant foreign currency on the first Business Day of each calendar month on the basis of the Administrative Agent's then effective spot rate of exchange for buying the relevant foreign currency with Dollars and shall inform the Company thereof, and the Foreign Exchange Rate so established shall remain effective for the balance of that calendar month.

"FOREIGN SUBSIDIARY" means any Subsidiary incorporated in a jurisdiction other than one of the first fifty states in the United States.

"FUNDED DEBT RATIO" means, with respect to any Fiscal Quarter, the ratio of (a) the Indebtedness of the Company and its Subsidiaries for borrowed money and Capital Leases (exclusive of any letters of credit and other similar instruments except (but without duplication) to the extent issued in support of such Indebtedness or Capital Leases) to (b) EBITDA of the Company and its Subsidiaries for the twelve month fiscal period ending on the last day of such Fiscal Quarter.

"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" means, as of any date of determination, accounting principles set forth as generally accepted in then currently effective Statements of the Auditing Standards Board of the American Institute of Certified Public Accountants or, if such statements are not then in effect, accounting principles that are then approved by a significant segment of the accounting profession in the United States of America, or in the case of the financial statements of the Canadian Subsidiaries and LEP UK only, generally accepted accounting principles as recognized by

the Canadian Institute of Chartered Accountants or as used in Great Britain, respectively. The term "CONSISTENTLY APPLIED," as used in connection therewith, means that the accounting principles applied are consistent in all material respects with those applied at prior dates or for prior periods.

"GOVERNMENT SECURITIES" means readily marketable, direct full faith and credit obligations of the United States of America or obligations unconditionally guaranteed by the full faith and credit of the United States of America.

"GOVERNMENTAL AGENCY" means any international, foreign, federal, state, provincial, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, any court, administrative tribunal or public utility or any arbitration tribunal or other nongovernmental authority to whose jurisdiction a Person has consented.

"GUARANTIES" means, collectively, (a) the Guaranty issued by the Company of the obligations of each of the Borrowers under the Commitments, (b) the Guaranty issued by the Domestic Borrowers of the Obligations of LEP UK under

the UK Commitment, and (c) the Guaranty issued by each other Active Subsidiary (other than LEP UK) of the obligations of the Domestic Borrowers under the Domestic Commitment and of LEP UK under the UK Commitment, in each case executed on the Closing Date in favor of the Administrative Agent, for the benefit of the Creditors, as the same may from time to time be modified by the execution of an Instrument of Joinder in the form of Exhibit A thereto in accordance with Section 7.18, and as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"HAZARDOUS MATERIALS" means any pollutants, contaminants, hazardous, toxic or special wastes, substances or materials, defined or regulated as such in (or for purposes of) any environmental Law, including, without limitation, any asbestos, any petroleum (including crude oil or any fraction), any radioactive substance and any polychlorinated byphenyls; PROVIDED, in the event that any environmental Law is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment; and PROVIDED further, to the extent that the applicable Laws of the United States or Canada or any province or state establish a meaning for "hazardous material," "hazardous substance," "hazardous waste," "solid waste," "contaminant," "pollutant," or "toxic substance" which

is broader than that specified in any environmental Law, such broader meaning shall apply.

"HAZARDOUS MATERIALS CLAIMS" means the matters described in CLAUSES (A) and (B) of Section 6.10.

"HAZARDOUS MATERIALS LAWS" means applicable provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), any "Superfund" law, the Hazardous Materials Transportation Act, as amended, the Occupational Safety and Health Act, as amended ("OSHA"), the Hazardous Waste Control Law, California Health Safety Code, as amended, Environment Quality Act (Quebec) and regulations adopted thereunder, Transportation of Dangerous Goods Act (Canada), the Environmental Protection Act (Ontario), Transportation of Dangerous Goods Regulation (Canada), Transportation of Dangerous Substances Regulation (Quebec), Canadian Environmental Protection Act (Canada), the Environmental Act 1995, the Environmental Protection Act of 1990 and the Planning (Hazardous Substances) Act of 1990 or England and Wales, and any other applicable United States, English, Welsh or Canadian federal, state, provincial, municipal or local law, statute, rule, regulation, ordinance, order, judgement, decree, permit, license or other binding determination of any Governmental Agency, as now or at any time hereafter amended or in effect and applicable to any Party, regulating, relating to or imposing liability or standards of conduct concerning the manufacture, processing, distribution, use, treatment, handling, storage, disposal, or transportation of Hazardous Materials, or air emissions, water discharges or otherwise concerning the protection of the outdoor or indoor environment.

"INACTIVE SUBSIDIARY" means, as of any date of determination, any Subsidiary of the Company that is on that date not actively engaged in a trade or business and on that date does not have total assets in excess of \$100,000, determined in accordance with Generally Accepted Accounting Principles.

"INDEBTEDNESS" means, as to any Person, (a) all indebtedness of such Person for borrowed money, (b) that portion of the obligations of such Person under Capital Leases that is properly recorded as a liability on a balance sheet of that Person prepared in accordance with Generally Accepted Accounting Principles, (c) any obligation of such Person that is evidenced by a promissory note or other instrument representing an

extension of credit to such Person, whether or not for borrowed money, (d) any obligation of such Person for the deferred purchase price of Property or services (OTHER THAN trade or other accounts payable in the ordinary course of business in accordance with customary terms), (e) any obligation of such Person that is secured by a Lien on the assets of such Person, whether or not that Person has assumed such obligation and whether or not such obligation is nonrecourse to the credit of such Person, but only to the extent of the fair market value of the assets so subject to the Lien, (f) obligations of such Person arising under acceptance facilities or under facilities for the discount of accounts receivable of such Person, (g) obligations of such Person for unreimbursed draws under letters of credit issued for the account of such Person and (h) the net obligations of such Person under any swap agreement. The term "Indebtedness" excludes all obligations under operating leases, determined in accordance with Generally Accepted Accounting Principles.

"ING UK" means ING Bank, n.v. (London England Branch Office), the lender under the UK Commitment.

"INTANGIBLE ASSETS" means general intangibles as such term is defined in the Uniform Commercial Code.

"INTEREST CHARGE COVERAGE RATIO" means, as of each date of determination, the ratio of (a) EBITDA for the twelve month fiscal period ending on that date, MINUS that portion of such EBITDA associated with Property which has been the subject of any Disposition or other sale permitted hereunder, to (b) Interest Charges for the same period, MINUS that portion of such Interest Charges which is with respect to Indebtedness which either (i) has been permanently reduced and retired in connection with any such permitted Disposition or sale or otherwise during such twelve month fiscal period, or (ii) has been assumed in connection with such Disposition or other sale by an unrelated third party (with no remaining recourse on such Indebtedness to the Company and its Subsidiaries) during such twelve month fiscal period, PROVIDED THAT to the extent that such twelve month period contains any period prior to September 30, 1997, EBITDA and Interest Charges shall be calculated as described on Schedule 7.15 to the extent set forth thereon on a pro forma basis for that period.

"INTEREST CHARGES" means, for any period the sum of (a) all interest, charges and related expenses payable with respect to that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are treated as interest in accordance with Generally Accepted Accounting Principles, PLUS (b) the portion of rent

payable with respect to that fiscal period under Capital Leases that should be treated as interest in accordance with General Accepted Accounting Principles, PLUS (c) the net amount of the charges paid or payable (without duplication) during that period with respect to swap agreements.

"INTEREST PERIOD" means, as to each Eurodollar Rate Loan, the period commencing on the date specified by the Company and the Borrowers pursuant to Section 2.1(c) and ending on the date specified by the Company and the Borrowers, pursuant to Section 2.1(c) hereof, which shall be seven days, fourteen days, one, two, three or six months after the date such period commenced; PROVIDED that: (a) the first day of any Interest Period shall be a Business Day; (b) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next-succeeding Business Day; and (c) no Interest Period shall extend beyond the Maturity Date.

"INVESTMENT" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of capital stock or other Securities of any other Person or by means of loan, advance, capital contribution, guaranty or other debt or equity participation or interest, or otherwise, in any other Person, INCLUDING any partnership and joint venture interests of such Person in any other Person. The amount of any Investment shall be the amount actually invested, without adjustment for increases or decreases in the value of such Investment.

"ISSUING LENDER" means (a) in the case of Domestic Letters of Credit, ING Capital or a Lender or other financial institution designated by ING Capital, and (b) in the case of UK Letters of Credit, ING UK..

"LAWS" means, collectively, all international, foreign, federal, state, provincial and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents.

"LENDERS" means each Lender which is an original signatory hereto or which hereafter becomes a party hereto in accordance with Section 12.8, but excludes ING Bank, n.v. (London Branch) in its capacity as facilitator of the UK Commitment).

"LEP CANADA" means LEP International, Co., a Nova Scotia unlimited liability company, and its successors and permitted assigns. For purposes of this

Agreement, LEP Canada shall be deemed to be a Subsidiary of both ILLCAN, Inc.



and ILLSCOT, Inc.

"LETTERS OF CREDIT" means any standby letter of credit issued by the Issuing Lender pursuant to Section 2.5, either as originally issued or as the same may be supplemented, modified, amended, renewed, extended or supplanted. Any reference to the "face amount" of a Letter of Credit that is denominated in a currency other than Dollars refers to the face amount of such Letter of Credit after conversion into Dollars based upon the exchange rate in effect, as determined by the Administrative Agent, on the first Business Day of the calendar month in which such conversion occurs.

"LIEN" means (whether choate or inchoate, crystallized or fixed, for amounts due or accruing) any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien, deemed trust, reservation, exception, easement, encroachment, title exception, garnishment or distraint right, deposit arrangement, or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Property, INCLUDING any agreement to grant any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature of a security interest and/or the filing of or agreement to give any financing statement, notice or registration (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the Uniform Commercial Code, the Personal Property Security Act of Ontario or any other province of Canada, the Civil Code of Quebec, the Companies Act 1985 of England and Wales, or comparable Law of any jurisdiction with respect to any Property.

"LIW" means LEP International Worldwide Limited, a company limited by shares and incorporated in England, its successors and permitted assigns.

"LIW ACQUISITION" means the Acquisition by the Company of the remaining equity interests in LIW pursuant to the terms of the LIW Acquisition Documents.

"LIW ACQUISITION DOCUMENTS" means the Agreement dated 30 September, 1997 between Wayrol plc, the Company and the receivers of Wayrol plc, and the Agreement dated 29 September 1997 between Mr. Digby Davies, Mr. Ronald Series, Abacus (C.I.) Limited and the Company, and each of the instruments, documents and agreements executed in connection therewith, as in effect on the Closing Date.

"LIWDE" means LIW Holdings Corp., a Delaware corporation which is a direct Subsidiary of the Company, and which is the direct owner of 100% of the equity interests in LIW acquired by the Company to date (other than the LIW Acquisition Documents themselves), representing more than a majority of the equity ownership interests in LIW, its successors and permitted assigns.

"LOAN" means any group of Advances made by the Lenders pursuant to Article II.

"LOAN DOCUMENTS" means, collectively, this Agreement, the Notes, the Letters of Credit, the Collateral Documents, the Guaranties, the Drop-Down Notes, the Drop Down Note Subordination Agreement, any Request for Loan, any Request for Letter of Credit, the Lockbox Agreements, the Blocked Account Agreements, the Depositary Account Agreements, the Concentration Account Agreements and any other certificates, documents or agreements of any type or nature executed and delivered by the Company or any of its Subsidiaries to any of the Creditors concurrently herewith or at any time in the future in furtherance of this Agreement, either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"LOCKBOX ACCOUNTS" means any of the lockbox accounts established with collecting banks pursuant to the Lockbox Agreements.

"LOCKBOX AGREEMENT" means any of the lockbox agreements with banks acting as depositories for remittances with respect to accounts receivable of the Company and its Subsidiaries, either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"MAJORITY LENDERS" means, as of any date of determination, Lenders whose aggregate Pro Rata Shares, in the aggregate, are at least 51%.

"MANAGEMENT AGREEMENTS" means (i) that certain Management Agreement of even date herewith between William E. Simon & Sons, LLC and the Company and (ii) a Management Agreement on substantially similar terms with the OCM Entities.

"MATERIAL ADVERSE EFFECT" means any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever

upon the validity or enforceability of any Loan Document, (b) is or could reasonably be expected to be material and adverse to the condition (financial or otherwise) or business operations of the Company and its Restricted Subsidiaries, taken as a whole, or the properties and assets of the Company and its Restricted Subsidiaries taken as a whole, (c) materially impairs or could reasonably be expected to materially impair the ability of the Company and its Restricted Subsidiaries, taken as a whole, to perform the Obligations, or (d) impairs or could reasonably be expected to impair the ability of the Lenders to enforce their legal remedies pursuant to the Loan Documents.

"MATRIX" means Matrix International Logistics, Inc., a Delaware corporation, and each of its Subsidiaries.

"MATURITY DATE" means October 28, 2002.

"MINIMUM AVAILABILITY" when modifying a stated amount means, as of



each date of determination, that both (a) Average Availability for the one calendar month period immediately preceding that date was in excess of a stated amount, and (b) on that date, Average Availability (treating that date as a period and giving effect to the then current Borrowing Base Certificate) was also in excess of the stated amount.

"MULTIEMPLOYER PLAN" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"NEGATIVE PLEDGE" means any covenant binding on the Company or its Restricted Subsidiaries that prohibits the creation of Liens on any Property thereof, EXCEPT a covenant contained in an instrument creating a Permitted Encumbrance or Permitted Right of Others on Property that prohibits the creation of other Liens on that Property and proceeds thereof and no other Property or proceeds thereof of the Company or its Restricted Subsidiaries.

"NOTES" means, collectively, (a) any of the promissory notes made by the Company to a Lender evidencing Advances under that Lender's Pro Rata Share of the Domestic Commitment, substantially in the form of Exhibit D, and (b) the promissory note made by LEP UK to ING UK evidencing Advances under the UK Commitment, substantially in the form of Exhibit E, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"OBLIGATIONS" means all present and future obligations of every kind or nature of the Company, Borrowers or any other Party at any time and from time to time owed to the Creditors or any one or more of them under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated or contingent or noncontingent, INCLUDING obligations of performance as well as obligations of payments and INCLUDING interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against the Company or any Party.

"OCM ENTITIES" means TCW Special Credits Fund V - The Principal Fund, OCM Principal Opportunities Fund, L.P. and any other entity managed by Oaktree Capital Management, LLC, as general partner, agent or investment manager.

"OPINIONS OF COUNSEL" means the favorable written legal opinion dated as of the Closing Date of (a) Milbank, Tweed, Hadley & McCloy, special counsel to the Company, (b) Freshfields, special English counsel to ING Capital, (c) internal counsel to Bekins, (d) Stikeman Elliott, special Ontario counsel to LEP Canada and its Subsidiaries, (e) Stikeman Elliott, special Quebec counsel to LEP Canada and its Subsidiaries, (f) Stewart, McKelvey, Stirling, Scales, special Nova Scotia counsel to LEP Canada, and (g) local counsel to LEP Canada in each of British Columbia, Alberta and Manitoba, Canada, together with copies of all factual certificates and legal opinions upon which such counsel have relied.

"PARTICIPATION AGREEMENT" means a Participation Agreement dated as of

the Closing Date among each of the Lenders, the Administrative Agent, and ING UK pursuant to which each of the Lenders has purchased a risk participation in the Loans and Letters of Credit made by ING UK under the UK Commitment, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"PARTY" means any Person other than the Creditors that now or hereafter is a party to any of the Loan Documents, but excluding any bank party to a Blocked Account Agreement, Lockbox Agreement, Depositary Agreement, or Concentration Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"PENSION PLAN" means any "employee pension benefit plan" that is subject to Title IV of ERISA and that is maintained for employees of the Company or any of its ERISA Affiliates, other than a Multiemployer Plan and includes any CAN Plan.

"PERMITTED ACQUISITION" means an Acquisition that meets each of the following criteria: (a) such Acquisition has been approved by the Board of Directors of the entity to be acquired; (b) both prior to and after giving effect to the Acquisition, no Default or Event of Default will exist; (c) the consummation of the Acquisition will not violate any covenant contained in Article VII hereof; (d) the principal business of which is in a business related to the then-current business activities of the Company and its Subsidiaries, and (e) giving effect to the making of the Acquisition, Minimum Availability shall not be less than \$10,000,000.

"PERMITTED ENCUMBRANCES" means: (a) statutory Liens incident to construction or maintenance of real property, or Liens incident to construction or maintenance of real property, now or hereafter filed of record for which adequate accounting reserves have been set aside and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no material such real property is subject to an imminent risk of loss or forfeiture prior to judgment; (b) Liens for taxes and assessments on real property that are not yet past due, or Liens for taxes and assessments on real property for which adequate accounting reserves have been set aside and are being contested in good faith by appropriate proceedings and have not proceeded to judgment, PROVIDED that, by reason of nonpayment of the obligations secured by such Liens, no such material real property is subject to an imminent risk of loss or forfeiture prior to judgment; (c) minor defects and irregularities in title to any real property that in the aggregate do not materially impair the fair market value or use of the real property for the purposes for which it is or may reasonably be expected to be held; (d) easements, exceptions, reservations or other agreements granted or entered into for the purpose of pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, drainage, irrigation, water and sewerage

purposes, dikes, canals, ditches, the removal of oil, gas, coal or other minerals and other like purposes affecting real property that in the aggregate do not materially burden or impair the fair market value or use of such real property for the purposes for which it is or may reasonably be expected to be held; (e) rights reserved to or vested in any

Governmental Agency by Law to control or regulate, or obligations or duties under Law to any Governmental Agency with respect to, the use of any property; (f) rights reserved to or vested in any Governmental Agency by Law to control or regulate, or obligations or duties under Law to any Governmental Agency with respect to, any right, power, franchise, grant, license or permit; (g) present or future zoning laws and ordinances or other laws and ordinances restricting the occupancy, use or enjoyment of real property; (h) statutory Liens, other than those described in clauses (a) and (b) above, arising in the ordinary course of business with respect to obligations that are not delinquent or are being contested in good faith by appropriate proceedings, PROVIDED that, if delinquent, adequate reserves have been set aside with respect thereto and, by reason of nonpayment, no material Property is subject to an imminent risk of loss or forfeiture prior to judgment; (i) Liens consisting of pledges or deposits made in connection with obligations under workers' compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable; (j) Liens consisting of pledges or deposits of Property to secure performance in connection with operating leases made in the ordinary course of business to which the Company or a Subsidiary of the Company is a party as lessee, PROVIDED the aggregate value of all such pledges and deposits in connection with any such lease entered into on or after the Closing Date does not at any time exceed 10% of the annual fixed rentals payable under such lease; (k) Liens consisting of deposits of Property to secure statutory obligations of the Company or a Subsidiary of the Company in the ordinary course of its business; (l) Liens consisting of deposits of Property to secure (or in lieu of) surety, appeal or customs bonds in proceedings to which the Company or a Subsidiary of the Company is a party in the ordinary course of its business; (m) Liens created by or resulting from any litigation or legal proceeding involving the Company or a Subsidiary of the Company in the ordinary course of its business which is currently being contested in good faith by appropriate proceedings, PROVIDED that adequate reserves have been set aside with respect thereto, and such Liens are discharged or stayed within 30 days of creation and no material Property is subject to an imminent risk of loss or forfeiture prior to judgment; (n) leases or subleases of any real property that in the aggregate do not materially impair the fair market value or use of such real property for the purposes for which it is or may reasonably be expected to be held; and (o) Liens consisting of deposits of Property to secure performance bonds in connection with contracts entered into in the ordinary course of business.

"PERMITTED HOLDERS" means, collectively, the Sponsors and Roger E. Payton.

"PERMITTED RIGHT OF OTHERS" means a Right of Others consisting of (a) an interest (other than a legal or equitable co-ownership interest, an option or

right to acquire a legal or equitable co-ownership interest and any interest of a ground lessor under a

ground lease) that does not materially impair the value or use of property for the purposes for which it is or may reasonably be expected to be held, (b) an option or right to acquire a Lien that would be a Permitted Encumbrance and (c) the reversionary interest of a landlord under a lease of Property.

"PERSON" means any entity, whether an individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, Governmental Agency or otherwise.

"PLEDGE AND SECURITY AGREEMENTS" means the Pledge and Security Agreements executed on the Closing Date by the Company and its Active Subsidiaries (other than LEP UK, LEP Canada and LIWDE) to secure the Obligations, including without limitation those under this Agreement, the Notes and the Guaranties, either as originally executed or as they may from time to time be supplemented, modified, amended, restated or extended.

"PLEDGED COLLATERAL" means:

(a) with respect to the Pledge and Security Agreement executed by the Company, all of the issued and outstanding capital stock of the Domestic Borrowers and LIWDE, together with such rights ancillary thereto as are described in that Pledge and Security Agreement, and the Drop-Down Notes held by the Company from time to time;

(b) with respect to the Pledge and Security Agreement executed by the Domestic Borrowers, (i) all of the issued and outstanding capital stock of each direct Active Subsidiary thereof, (ii) all Drop-Down Notes held from time to time by the Domestic Borrowers, in each case together with such rights ancillary thereto as are described in that Pledge and Security Agreement;

(c) with respect to each other Pledge and Security Agreement, (i) all of the issued and outstanding capital stock of each Active Subsidiary of the Grantors thereunder;

(d) with respect to the UK Security Documents, any collateral described therein which is to be pledged to the Administrative Agent;

(e) with respect to the Canadian Security Documents, any collateral described therein which is to be pledged to the Administrative Agent; and

(f) with respect to the Pledge and Security Agreement to be executed by LIWDE, 66% of the capital stock of LIW;

PROVIDED that the Company and its Restricted Subsidiaries shall not be obligated to pledge (x) any of the capital stock or other similar equity securities of any Unrestricted Subsidiary or any Inactive Subsidiary or (y) more than 66% of the capital stock or other similar equity interests held by them in any of their Active Subsidiaries not organized under the Laws of the United States or Canada.

"PRICING PERIOD" means successive periods of approximately three month each, each beginning on the 45th day following the last day of each Fiscal Quarter, and each ending approximately three months later on the day prior to the first day of the succeeding such period.

"PRIOR AGENT" means Banque Paribas, when acting as the Administrative Agent under the Existing Loan Agreement.

"PRO RATA SHARE" means, as to each Lender, the percentage interest of that Lender in the Commitments, which, in the case of the Obligations under the UK Commitment, shall be a risk participation in the UK Loans made by and UK Letters of Credit issued by ING UK. As of the Closing Date, ING Capital is the holder of a Pro Rata Share of 100%. From time to time following the Closing Date, the Pro Rata Shares of each Lender shall be subject to adjustment in connection with any assignment to which that Lender is a party in accordance with Section 12.8.

"PROJECTIONS" means the financial projections attached hereto as Schedule 5.19.

"PROPERTY" means any interest in any kind of property or asset, whether real, personal or mixed, movable or immovable, or tangible or intangible.

"PUBLIC EQUITY OFFERING" means an underwritten primary public offering of common stock of the Company pursuant to an effective registration under the Securities

Act of 1933 that for purposes of clauses (iv) and (v) of the definition of "Change of Control Event" yields cash proceeds to the Company of not less than \$20,000,000.

"QUARTERLY PAYMENT DATE" means each March 31, June 30, September 30 and December 31, commencing with the first such date to occur subsequent to the Closing Date.

"RECEIVABLES" means all accounts receivable of the Company and its Restricted Subsidiaries for goods sold or services rendered to a customer.

"RECEIVABLES AGING REPORT" means a monthly report consisting of a Certificate of a Responsible Official of each Borrower setting forth, as of the

last day of the most recently ended fiscal month, the Receivables, the account debtors thereon, the related invoice numbers or other identifying information and the aging status thereof, in such format and in such detail as is reasonably acceptable to the Administrative Agent, together with such supporting documentation as the Administrative Agent may require.

"REGULATIONS D, G, T, U AND X" means, respectively, Regulations D, G, T, U and X, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulations in substance substituted therefor.

"REPRESENTATIVE AGENCY AGREEMENT" means any of the agreements, substantially in the form provided to the Administrative Agent by the Company, pursuant to which a Person agrees to act as an agent of BVL for the purpose of providing interstate or intrastate moving and related services to customers of BVL.

"REPRESENTATIVE AGENT" means any freight forwarder, moving and storage company, warehouseman or other Person who has entered into a Representative Agency Agreement with BVL.

"REQUEST FOR LETTER OF CREDIT" means a written request for letter of credit substantially in the form of Exhibit F, together with the standard form of application for letter of credit used by the Issuing Lender, signed by a Responsible Official of the relevant Borrower and properly completed to provide all information required to be included therein.

"REQUEST FOR LOAN" means a written request for a Loan substantially in the form of Exhibit G, signed by a Responsible Official of the relevant Borrower and properly completed to provide all information required to be included therein.

"REQUIREMENT OF LAW" means, as to any Person, the articles or certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"RESPONSIBLE OFFICIAL" means, (a) when used with reference to a Person other than an individual, any corporate officer of such Person, general partner of such Person, corporate officer of a corporate general partner of such Person, or corporate officer of a corporate general partner of a partnership that is a general partner of such Person, or (for purposes of Articles II and III only) any other responsible official thereof duly acting on behalf thereof, and, (b) when used with reference to a Person who is an individual, such Person. Any document or certificate hereunder that is signed or executed by a Responsible Official of a Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of that Person.



"RESTRICTED SUBSIDIARY" means (a) each Borrower and (b) each Subsidiary of the Domestic Borrowers which is incorporated under the Laws of the United States or Canada.

"RIGHT OF OTHERS" means, as to any Property in which a Person has an interest, (a) any legal or equitable right, title or other interest (OTHER THAN a Lien) held by any other Person in or with respect to that Property and (b) any option or right held by any other Person to acquire any right, title or other interest in or with respect to that Property, INCLUDING any option or right to acquire a Lien.

"SECURITIES" means any capital stock, share, voting trust certificate, bonds, debentures, notes or other evidences of indebtedness, limited partnership interests or any warrant, option or other right to purchase or acquire any of the foregoing.

"SENIOR NOTES" means the 9 3/4% Senior Notes of the Company due 2007 issued pursuant to the Indenture dated October 29, 1997 among the Company, First Trust National Association, as trustee, as in effect on the date of this Agreement.

"SENIOR OFFICER" means the (a) chief executive officer, (b) chief operating officer, (c) chief financial officer or (d) president, vice-president or treasurer of the Person designated.

"SOLVENT" as to any Person shall mean that (a) the sum of the assets of such Person, both at a fair valuation and at present fair salable value, will exceed its liabilities, including contingent liabilities, (b) such Person will have sufficient capital with which to conduct its business as presently conducted and as proposed to be conducted and (c) such Person has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature. For purposes of this definition, "debt" means any liability on a claim, and "claim" means (x) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (y) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

"SPONSORS" means William E. Simon & Sons, LLC, TCW Special Credits Fund V - The Principal Fund, OCM Principal Opportunities Fund, L.P. and any of their respective affiliates.

"SUBORDINATED OBLIGATIONS" means (a) any Obligations and Indebtedness of the Company and its Subsidiaries under the Management Agreements, and (b) any

other Indebtedness of the Company that is subordinated to the Obligations, all of the provisions of which (including amount, maturity, amortization, interest rate, covenants, defaults and subordination) have been approved in writing as to form and substance by the Administrative Agent with the consent of the Majority Lenders.

"SUBSIDIARY" means, as of any date of determination and with respect to any Person, any other entity, (a) in the case of a corporation, of which a majority of the

securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person or, (b) in the case of a partnership or joint venture, of which such Person or a Subsidiary of such Person is a general partner or joint venturer or of which a majority of the partnership or other ownership interests are at the time beneficially owned by such Person and/or one or more of its Subsidiaries, or (c) in the case of any other type of entity, of which such Person or a Subsidiary of such Person is the beneficial owner of the majority in interest of the equity securities.

"TERMINATION EVENT" means (a) a "reportable event" as defined in Section 4043 of ERISA (other than a reportable event that is not subject to the provision for 30-day notice to the PBGC), (b) the withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan during the plan year, or from a Pension Plan during any plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Pension Plan or the treatment of an amendment to a Pension Plan as a termination thereof pursuant to Section 4041 of ERISA, (d) the institution of proceedings to terminate a Pension Plan by the PBGC or (e) any other event or condition which might reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan, and includes any CAN Plan Termination Event.

"TEST QUARTER" means (a) any Fiscal Quarter for which Minimum Availability is less than \$20,000,000, and (b) any Fiscal Quarter as of the last day of which no Public Equity Offering has been consummated and each Sponsor does not own, beneficially and of record, and control the power to vote, at least 75% of the common stock of the Company owned by such Sponsor as of the Closing Date.

"UK AVAILABILITY REPORT" has the meaning set forth in the second paragraph of Section 2.2.

"UK BORROWING BASE" means, as of any date of determination, an amount determined by the Administrative Agent with reference to the most recent Borrowing Base Certificate equal to the sum of 80% of UK Eligible Receivables, PROVIDED THAT upon ten (10) Business Days' prior written notice to the Company,



the Administrative Agent may from time to time, in its good-faith discretion in accordance with prudent asset-based lending practices, and the Administrative Agent shall, upon the direction of the Majority

Lenders (each acting in its good-faith discretion in accordance with prudent asset-based lending practices), establish such reasonable reserves against the UK Borrowing Base as it deems necessary and proper, INCLUDING, reasonable reserves for existing Liens and Rights of Others.

"UK COMMITMENT" means, subject to Section 2.3, \$30,000,000.

"UK ELIGIBLE RECEIVABLES" means, as of any date of determination, the unpaid principal amount of accounts receivable of LEP UK for goods sold or services rendered to a customer (the "UK Receivables"), PROVIDED that such accounts receivable:

(a) arose in the ordinary course of business of LEP UK;

(b) represent amounts owed for goods sold or services rendered to a customer;

(c) in the case of accounts receivable which are the subject of an invoice to the customer, are due within 30 days of the invoice date and are not more than 90 days past due;

(d) do not have as the account debtor a Person that is the subject of any proceeding under any Debtor Relief Law;

(e) do not include accounts receivable of any account debtor if 50% or more of the aggregate amount of such account debtor's balance is more than 90 days past the due date or 120 days past the original invoice date;

(f) do not have as the account debtor a Person which is located outside of the United States or Great Britain other than an Approved Foreign Customer, unless the obligations of such account debtor are backed by an irrevocable letter of credit issued or confirmed to the Administrative Agent by a Lender or by another bank reasonably acceptable to the Administrative Agent and is in form and substance acceptable to the Administrative Agent, payable in the full amount of the account in freely convertible BPS or U.S. Dollars at a place of payment within England, Wales or the United States;

(g) do not have as the account debtor a director, officer or employee of the Company or a Subsidiary of the Company;

(h) do not include accounts receivable which are U.S. Government Accounts or which have as account debtors Canada or any Province

(collectively with U.S. Government Accounts, "Government Accounts") to the extent such Government Accounts exceed 10% of Eligible Receivables unless the Company and its Subsidiaries, assign its right to payment of each such account receivable in excess thereof to the Administrative Agent, in a manner satisfactory to the Administrative Agent, so as to comply with, in the case of U.S. Government Accounts, the Assignment of Claims Act of 1940 (31 U.S.C. Section 203 ET SEQ., as amended) and, in the case of Canadian Government Accounts, the Financial Administration Act of Canada or any other similar legislation of any Province, as applicable (collectively "Governmental Assignment Regulations"). In any event, the inclusion of any Government Accounts in the Borrowing Base shall be at the sole discretion of the Administrative Agent and Lenders;

(i) do not have an agreement between the account debtor and the Company or any Subsidiary of the Company to extend the time of payment thereof;

(j) do not have as the account debtor an Affiliate of the Company or any Subsidiary of the Company (including intercompany receivables) or of any Contractor or Representative Agent;

(k) are valid and legally enforceable obligations of the account debtor with respect thereto, and do not have as the account debtor a Person which has asserted any substantial defense, counterclaim or offset with respect to such account receivable; and

(l) are subject to a first priority perfected and registered security interest in favor of the Administrative Agent pursuant to the Collateral Documents, except for compliance with provisions of any applicable Governmental Assignment Regulations with respect to accounts receivables which are Government Accounts which are included in UK Eligible Receivables pursuant to clause (h) (the foregoing being the "Gross UK Eligible Receivables");

AND MINUS (y) reserves for goods and services taxes, customs duties and/or excise taxes as determined by the Administrative Agent from time to time and MINUS

(z) the product of (1) the ratio of the total amount of Gross UK Eligible Receivables divided by the total amount of UK Receivables, TIMES (2) all unapplied cash which has not been applied to account debtor's balances as of such date.

"UK LETTER OF CREDIT" means each letter of credit issued by the Issuing Lender under the UK Commitment.

"UK LOAN" means each Loan made by ING UK under the UK Commitments.

"UK NOTE" means the promissory note made by LEP UK in favor of ING UK

to evidence the UK Loans, in which each Lender has acquired a risk participation pursuant to the Participation Agreement.

"UK SECURITY DOCUMENTS" means the Security Assignment and the Security Deposit Agreement to be executed and delivered by LEP UK prior to the date of the making of the initial UK Loans and the issuance of the initial UK Letters of Credit to secure the Obligations of LEP UK with respect to the UK Commitment, substantially in the form of Exhibits I-1 and I-2 hereto, in each case as the same may from time to time be supplemented, modified, amended, restated or extended.

"UNAVAILABLE COMMITMENT" means, for each period, the average daily amount by which the Domestic Commitment exceeds the aggregate of the Domestic Borrowing Bases and the UK Borrowing Base.

"UN GUARANTY" means the guaranty, if any, provided by the Company in connection with the contract between Matrix and the United Nations for international household goods relocation services.

"U.S. DOLLAR EQUIVALENT" means, as of each date of determination, and with respect to any Foreign Currency Obligation, the Dollar Equivalent amount of such Foreign Currency Obligations, calculated at the then effective Foreign Exchange Rate.

1.2 USE OF DEFINED TERMS. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 ACCOUNTING TERMS. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, Generally Accepted Accounting Principles applied on a consistent basis, EXCEPT as otherwise specifically prescribed herein. In the event that Generally Accepted Accounting Principles change during the term of this Agreement such that any of the financial covenants contained in Article VII would then be calculated in a different manner or with different components, (a) the Company and the Lenders agree to amend this Agreement in such respects as are necessary to conform that covenant as a criterion for evaluating the Company's financial condition to substantially the same criterion as was effective prior to such change in Generally Accepted Accounting Principles and (b) the Company and Borrowers shall be deemed to be in compliance with the covenant contained in such Section during the 60-day period following any such change in Generally Accepted Accounting Principles if and to the extent that the Company would have been in compliance therewith under Generally Accepted Accounting Principles as in effect immediately prior to such change.

1.4 EXHIBITS AND SCHEDULES. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A

matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.5 MISCELLANEOUS TERMS. The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive. Masculine terms also apply to females; feminine terms also apply to males. The term "including" is by way of example and not limitation.

## ARTICLE II

### LOANS AND LETTERS OF CREDIT

2.1 LOANS-GENERAL. (a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from Business Day next following the Closing Date through the Maturity Date, each Lender shall, pro rata according to its Pro Rata Share of the then-applicable Domestic Commitment, make Advances to each Domestic Borrower under the Domestic Commitment in Dollars in such amounts as the Domestic Borrowers may request that do not exceed in the aggregate at any one time outstanding the amount of that Lender's Pro Rata Share of the then-applicable Domestic Commitment; PROVIDED that, giving effect to the Domestic Loan of which such Advance is a part:

(i) the sum of the Domestic Loans to that Domestic Borrower PLUS the aggregate effective face amount of all Domestic Letters of Credit issued for the account of that Domestic Borrower shall not exceed the Domestic Borrowing Base for that Domestic Borrower; and

(ii) the sum of the then-outstanding principal Indebtedness evidenced by all of the Notes PLUS the aggregate effective face amounts of all of the Letters of Credit then outstanding shall not exceed the Credit Limit.

Subject to the limitations set forth herein, the Domestic Borrowers may borrow, repay and reborrow under the Domestic Commitment without premium or penalty.

(b) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from the business day next following the closing date through the Maturity Date, ING UK shall make UK Loans to LEP UK under the UK Commitment in BPS in such amounts as LEP UK may request that do not exceed in the aggregate at any one time outstanding the then-applicable UK Commitment; PROVIDED that giving effect to that UK Loan:

(i) the sum of the then-outstanding principal Indebtedness evidenced by the UK Note PLUS the aggregate effective base amounts of all UK Letters of Credit then outstanding shall not exceed the LESSER of (A) the then-applicable UK Commitment and (B) the UK Borrowing Base; and

(ii) the sum of the then-outstanding principal Indebtedness evidenced by all of the Notes PLUS the aggregate effective face amounts of all of the Letters of Credit then outstanding shall not exceed the Credit Limit.

Each Lender shall participate in each UK Loan in accordance with its Pro Rata Share in accordance with the Participation Agreement. Subject to the limitations set forth herein, LEP UK may borrow, repay and reborrow under the UK Commitment without premium or penalty.

(c) Each Loan shall be made pursuant to a Request for Loan which shall (i) specify the requested (A) date of such Loan, (B) amount of such Loan and (C) whether such Loan shall be a Base Rate Loan or a Eurodollar Loan, and if a Eurodollar Loan, the last day of the Interest Period with respect thereto (which shall be a date one, two, three or six months after the date of such Loan) and (ii) certify in case of Domestic Loan, (A) which Domestic Borrower will receive the proceeds of the requested Domestic Loan, and (B) that on the date of such Request and after giving effect to the borrowing of such Loan, that the Company and each Borrower shall be Solvent. Each Request for a Loan must be sent by telecopier or telex to the Administrative Agent, signed by a Responsible Official of the relevant Borrower.

(d) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender by telephone, telecopier or telex of the date of the Loan and that Lender's Pro Rata Share of the Loan. Not later than 2:30 p.m., New York time, on the date specified for any Domestic Loan, each Lender shall make its Pro Rata Share of the Domestic Loan in immediately available funds available to the Administrative Agent at the Administrative Agent's account number 9301035763 at The Chase Manhattan Bank, N.A. (ABA No. 021-000-021) ref: International Logistics Limited. Upon fulfillment of the applicable conditions set forth in Article IX, all Advances shall be transferred in immediately available funds to the designated Blocked Account.

(e) Unless the Majority Lenders otherwise consent, each Loan shall be in an integral multiple of \$100,000, which, in the case of a Eurodollar Loan is in an amount not less than \$500,000, and no more than twelve Eurodollar Loans having different Interest Periods may be outstanding at any time.

(f) The Advances made by each Lender under the Domestic Commitment shall be evidenced by that Lender's Domestic Note. The UK Loans made

by ING UK under the UK Commitment shall be evidenced by the UK Note, and each Lender shall have a participation interest therein in accordance with the terms of the Participation Agreement.

(g) Subject to the Sections 3.5(c) and (g) hereof, a Request for Loan shall be irrevocable upon receipt of such Request for Loan by the Administrative Agent.

(h) If an outstanding Loan is then due and payable and is not repaid when due in accordance with this Agreement, and no Request for Loan has been made under the same Commitment within the requisite notice period set forth in Section 2.2 in connection therewith, and the making of a new Loan would not

increase the outstanding principal Indebtedness evidenced by the relevant Notes, then the Borrowers shall be deemed to have requested a Base Rate Loan in an amount equal to the amount necessary to cause the outstanding principal Indebtedness evidenced by the Notes to remain the same and the Lenders (or in the case of a UK Loan, ING UK) shall make the Advances necessary to make such Loan notwithstanding Sections 2.1(D) and 2.2.

LOANS. Each Request for Loan for a Domestic Loan shall be submitted to the Administrative Agent, at the Administrative Agent's Office, not later than 1:00 p.m, New York time, (a) with respect to a request for a Base Rate Loan, on the Business Day of the requested Loan, and (b) with respect to a request for a Eurodollar Loan, on the Business Day that is three Business Days prior to the first day of the applicable Interest Period.

If the conditions precedent specified herein to UK Loans have been satisfied (other than the submission of a Request for Loan with respect thereto) then, on each Business Day, the Administrative Agent shall provide ING UK with a report (the "UK Availability Report") indicating the aggregate amount of Loans and Letters of Credit which are available under the UK Commitment during the next Business Day (after giving effect to Loan and Letter of Credit activity under the Domestic Commitment during that Business Day). Each Request for Loan for any UK Loan shall be submitted directly to ING UK not later than 1:00 p.m, London local time (with a copy to the Administrative Agent at the Administrative Agent's Office). Each such Request for Loan shall be submitted (a) with respect to a request for a Base Rate Loan, on the Business Day of the requested Loan, and (b) with respect to a request for a Eurodollar Loan, on the Business Day that is three Business Days prior to the first day of the applicable Interest Period. ING UK shall make Loans and Letters of Credit available to the UK Borrower in

accordance with such Request for Loan and to the extent consistent with the UK Availability Report, and shall, on the same Business Day, provide notice to the Administrative Agent of the amount and terms thereof, including the related Base Rate, Eurodollar Rate, tenor, and interest rate spreads.

2.3 REDUCTION OF COMMITMENTS. Borrowers shall have the right, at any time and from time to time, without penalty or charge, upon at least four Business Days' prior written notice to the Administrative Agent, voluntarily to reduce, permanently and irrevocably, in aggregate principal amounts in an integral multiple of \$1,000,000, or to terminate, the then undisbursed portion of the aggregate Commitments; PROVIDED that in each case any such reduction or termination shall be accompanied by all accrued and unpaid commitment fees with respect to the portion of the Commitments being reduced or terminated.

2.4 ADMINISTRATIVE AGENT'S RIGHT TO ASSUME FUNDS AVAILABLE FOR ADVANCES. For each Domestic Loan, unless the Administrative Agent shall have been notified by any Lender no later than the Business Day prior to the funding in the case of a Eurodollar Loan, and no later than two hours prior to the funding of a Base Rate Loan, that such Lender does not intend to make available

to the Administrative Agent such Lender's Pro Rata Share of the total amount of such Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of the Loan and the Administrative Agent may, in reliance upon such assumption, make available to a corresponding amount to the Borrowers. If the Administrative Agent has made funds available to any of the Borrowers based on such assumption and such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender, which demand shall be made in a reasonably prompt manner. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent promptly shall notify the Company and that Borrower and that Borrower shall pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount with respect to each day from the date such corresponding amount was made available by the Administrative Agent to any of the Borrowers to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to the Federal Funds Rate for such period. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Pro Rata Share of any Commitment or to prejudice any rights

which the Administrative Agent or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

2.5 STANDBY LETTERS OF CREDIT. (a) Subject to the terms and conditions hereof, at any time and from time to time from the Closing Date through the day prior to the Maturity Date, the Issuing Lender shall issue such Domestic Letters of Credit as the Domestic Borrowers may request by a Request for Letter of Credit; PROVIDED that, giving effect to such Domestic Letter of Credit:

- (i) the sum of the Domestic Loans to that Domestic Borrower PLUS the aggregate effective face amount of all Domestic Letters of Credit issued for the account of that Domestic Borrower shall not exceed the Domestic Borrowing Base for that Domestic Borrower;
- (ii) the sum of the then-outstanding principal Indebtedness evidenced by all of the Notes PLUS the aggregate effective face amounts of all of the Letters of Credit then outstanding shall not exceed the Credit Limit; and
- (iii) the aggregate effective face amount of all Letters of Credit then outstanding (including Letters of Credit issued in Canadian Dollars, BPS or other currencies as provided below) shall not exceed \$60,000,000.

Subject to the terms and conditions herein, at the request of the Domestic Borrowers the Issuing Lender shall issue Domestic Letters of Credit denominated in BPS, PROVIDED that the currency risk associated with such Letters of Credit shall be subject to currency hedging agreements acceptable to the Administrative



Agent providing protection against fluctuations in the exchange rates for BPS and Dollars for the term of each such Letter of Credit.

(b) Subject to the terms and conditions hereof, at any time and from time to time from the Closing Date through the day prior to the Maturity Date, the Issuing Lender shall issue such UK Letters of Credit denominated in BPS as LEP UK may request by a Request for Letter of Credit; PROVIDED that, giving effect to such UK Letter of Credit:

(i) the sum of the then-outstanding principal Indebtedness evidenced by the UK Note PLUS the aggregate effective base amounts of all UK Letters of Credit then

outstanding shall not exceed the LESSER of (i) the then-applicable UK Commitment and (ii) the UK Borrowing Base;

(ii) the sum of the then-outstanding principal Indebtedness evidenced by all of the Notes PLUS the aggregate effective face amounts of all of the Letters of Credit then outstanding shall not exceed the Credit Limit; and

(ii) the aggregate effective face amount of all Letters of Credit then outstanding (including Letters of Credit issued in Canadian Dollars, BPS and other currencies as provided below) shall not exceed \$60,000,000.

Each Request for a UK Letter of Credit shall be submitted directly to ING UK not later than 1:00 p.m, London local time (with a copy to the Administrative Agent at the Administrative Agent's Office). In the event that the UK Availability Report demonstrates that Letters of Credit are available, ING UK shall make UK Letters of Credit available to the UK Borrower in accordance therewith any such Request for Letter of Credit, and shall, on the same Business Day, provide notice to the Administrative Agent of the amount and terms thereof.

(c) Subject to the terms and conditions specified herein, the Issuing Lender shall issue Domestic Letters of Credit denominated in Canadian Dollars, provided that the aggregate effective face amount of all outstanding Letters of Credit denominated in Canadian Dollars shall not exceed CAN\$5,000,000. Upon request by any Borrower, the Administrative Agent may in its sole discretion also issue Letters of Credit in foreign currencies other than Dollars, Canadian Dollars and BPS, subject to the limitations set forth herein, provided that it shall concurrently establish a Foreign Exchange Rate for such currencies.

(c) Unless all the Lenders otherwise consent in writing, no Letter of Credit shall have a term which exceeds 12 months. No Letter of Credit shall have a maturity or expiration date later than the Maturity Date unless such Letters of Credit are 100% Cash-collateralized in a form and manner satisfactory to the Issuing Lender. No Letter of Credit shall be issued except in the ordinary course of business of the Company or any of its Subsidiaries. Each Request for Letter of Credit shall specify the Borrower under whose Borrowing Base the related Letter of Credit is requested, however the Company may, at the



discretion of such Borrower, be identified as the nominal account party with respect to the Letter of Credit on the face thereof.

(d) Each Request for Letter of Credit shall be submitted to the Issuing Lender at least two Business Days prior to the date when required. Upon receipt of such request, the Issuing Lender shall promptly notify the Lenders of the amount and terms thereof.

(e) Upon the issuance of a Letter of Credit, each Lender shall be deemed to have purchased a pro rata participation from the Issuing Lender of the Letter of Credit in an amount equal to that Lender's Pro Rata Share. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed by the relevant Borrowers for any payment required to be made by the Issuing Lender under any Letter of Credit, each Lender shall, according to its Pro Rata Share of the Commitment, reimburse the Issuing Lender promptly upon demand for the amount of such payment. The obligation of each Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrowers to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit together with interest as hereinafter provided.

(f) Upon the making of any payment with respect to any Letter of Credit by the Issuing Lender, the relevant Borrower(s) shall be deemed to have submitted a Request for Loan in the amount of such payment, and the Administrative Agent shall without notice to or the consent of that Borrower or Borrowers cause Advances to be made by the Lenders under the Domestic Commitment, or by ING UK under the UK Commitment (as the case may be), in an aggregate amount equal to the amount paid by the Issuing Lender on that Letter of Credit and, for this purpose, the conditions precedent set forth in Article IX shall not apply. The proceeds of such Advances shall be paid to the Issuing Lender to reimburse it for the payment made by it under the Letter of Credit. Promptly following the making of any Advances made under this Section the Administrative Agent shall notify the Company and the Borrowers thereof.

(g) To the extent that the Advances made pursuant to Section 2.5(f) are insufficient to reimburse the Issuing Lender in full then, subject to Section 12.28(b), each Borrower agrees to pay to the Issuing Lender with respect to each Letter of Credit, within one Business Day after demand therefor, a principal amount equal to any payment made by the Issuing Lender under that Letter of Credit, together with interest on such amount

from the date of any payment made by the Issuing Lender through the date of payment by the Borrowers at the Default Rate. The principal amount of any such payment made by the Borrowers to the Issuing Lender shall be used to reimburse the Issuing Lender for the payment made by it under the Letter of Credit. Each

Lender that has reimbursed the Issuing Lender pursuant to Section 2.5(e) for its Pro Rata Share of any payment made by the Issuing Lender under a Letter of Credit shall thereupon acquire a pro rata participation, to the extent of such reimbursement, in the claim of the Issuing Lender against the respective Borrowers under this Section.

(h) The issuance of any supplement, modification, amendment, renewal or extension to or of any Letter of Credit shall be treated in all respects the same as the issuance of a new Letter of Credit.

(i) The obligation of Borrowers to pay to the Issuing Lender the amount of any payment made by the Issuing Lender under any Letter of Credit issued under the Commitment for which they are obligated shall be absolute, unconditional and irrevocable. Without limiting the foregoing, these obligations shall not be affected by any of the following circumstances:

(i) any lack of validity or enforceability of the Letter of Credit, this Agreement or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of or any consent to departure from the Letter of Credit, this Agreement or any other agreement or instrument relating thereto;

(iii) the existence of any claim, setoff, defense or other rights which the Company may have at any time against any Creditor, any beneficiary of the Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with the Letter of Credit, this Agreement or any other agreement or instrument relating thereto, or any unrelated transactions;

(iv) any demand, statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect

whatsoever so long as any such document appeared to comply with the terms of the Letter of Credit;

(v) payment by the Issuing Lender in good faith under the Letter of Credit against presentation of a draft or any accompanying document that does not strictly comply with the terms of the Letter of Credit;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any property purported to be represented by documents presented in connection with any Letter of Credit or for any difference between any such property and the character, quality, quantity, condition or value of such property as described in such documents;

(vii) the solvency or financial responsibility of any party issuing any documents in connection with a Letter of Credit,

(viii) any error in the transmission of any message relating to a Letter of Credit not caused by the Issuing Lender, or any delay or interruption in any such message:

(ix) any error, neglect or default of any correspondent of the Issuing Lender in connection with a Letter of Credit;

(x) any consequence arising from acts of God, war, insurrection, disturbances, labor disputes, emergency conditions or other causes beyond the control of the Issuing Lender;

(xi) so long as the Issuing Lender in good faith determines that the contract or document appears to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to the Issuing Lender in connection with a Letter of Credit; and

(xii) where the Issuing Lender has acted in good faith and observed general banking usage, any other circumstances whatsoever, PROVIDED that nothing in this Section 2.5(g) shall prevent the bringing of a separate claim (including by

way of compulsory counterclaim) against the Issuing Lender for its gross negligence or willful misconduct in connection with any Letter of Credit).

(h) The Issuing Lender shall be entitled to the protection accorded to the Administrative Agent pursuant to Section 11.6, MUTATIS MUTANDIS.

2.6 COLLATERAL. The Loans, together with all other Obligations, shall be secured by the Liens created by the Collateral Documents.

2.7 RELEASE OF COLLATERAL. Provided that no Default exists, the Administrative Agent and the Lenders shall release Liens upon any Receivables or Pledged Collateral which are the subject of a Disposition permitted hereunder, promptly upon request by the Company.

### ARTICLE III

#### PAYMENTS AND FEES

##### 3.1 PRINCIPAL AND INTEREST.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Loan from the date thereof until payment in full is

made and shall accrue and be payable at the rates set forth herein before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest to bear interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Eurodollar Loan as of the last day of the Interest Period with respect thereto shall be due and payable on that day and, if such Interest Period is longer than three months, on the last day of each three month period, the first of which commences on the first day of such Interest Period, during such Interest Period. Interest accrued on each Base Rate Loan as of each Quarterly Payment Date shall be due and payable on that day. Except as otherwise provided in Sections 3.5 and 3.6, (i) the unpaid principal amount of each Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate PLUS the Base Rate Margin and (ii) the unpaid principal amount of each Eurodollar Loan shall bear interest at a rate per annum equal to the relevant Eurodollar Rate PLUS the Eurodollar Rate Margin. Each change in the interest rate applicable to a Base Rate Loan hereunder shall take effect simultaneously with the corresponding change in the Base Rate. Each change in the Base Rate shall be effective as of 12:01 a.m. on the Business Day on which the change in the Base Rate is announced, unless otherwise specified in such announcement, in which case the change shall be effective as so specified.

(c) If not sooner paid, the principal Indebtedness evidenced by the Notes shall be payable by the respective Borrowers as follows (with application first to Base Rate Loans and then to Eurodollar Rate Loans):

(i) subject to Section 2.1(h), the principal amount of each Eurodollar Rate Loan shall be payable on the last day of the Interest Period for such Loan;

(ii) the amount, if any, by which the sum of the principal Indebtedness evidenced by the Domestic Notes PLUS the aggregate effective face amount of all Domestic Letters of Credit then outstanding at any time exceeds the Domestic Commitment shall be payable immediately;

(iii) the amount, if any, by which the sum of the principal Indebtedness evidenced by the UK Note PLUS the aggregate effective face amount of all UK Letters of Credit then outstanding at any time exceeds the UK Commitment shall be payable immediately;

(iv) the amount, if any, by which the sum of (A) the principal Indebtedness evidenced by the Domestic Notes then outstanding PLUS (B) the sum of the aggregate face amounts of all Domestic Letters of Credit then outstanding, exceeds the aggregate Domestic Borrowing Bases at such time shall be payable within one Business Day thereafter;

(v) the amount, if any, by which the sum of (A) principal Indebtedness evidenced by the UK Note then outstanding PLUS

(B) the sum of the aggregate face amount of all UK Letters of Credit then outstanding exceeds the UK Borrowing Base at such time shall be payable within one business day thereafter, and the Loans evidenced by the UK Notes shall in any event be repaid on each Business Day by the amount actually received in the UK Collection Account on that Business Day;

(vi) the amount, if any, by which the aggregate principal Indebtedness evidenced by the Notes plus the aggregate effective face amount of all Letters of Credit at any time exceeds the Credit Limit, shall be payable immediately;

(vii) If within 30 days following their receipt of notice of a Change of Control Event, the Majority Lenders so elect by notice to the Company, the Indebtedness evidenced by the Notes shall be payable in full on the later of (a) thirty days following the receipt by the Company of such notice and (b) the date upon which such Change of Control Event occurs (and, in the event of any such election by the Majority Lenders, the Commitments shall be terminated and, subject to Section 12.28, the Borrowers shall provide cash collateral for each Letter of Credit which then remains outstanding); and

(viii) the principal Indebtedness evidenced by the Notes shall in any event be payable on the Maturity Date.

(d) MANDATORY PREPAYMENTS. Concurrently with the making of any Disposition permitted hereby which involves the sale, transfer or other disposition of any Receivables, or of the equity securities of any Restricted Subsidiary which owns Receivables (to the extent that direct or indirect ownership of Receivables are transferred in connection therewith), the Company and the Borrowers shall prepare and deliver to the Administrative Agent a revised Borrowing Base Certificate giving PRO FORMA effect to such sale, transfer or other disposition, and shall repay the Obligations to the extent required in Section 3.1(c) (iv) or 3.1(c) (v).

(e) VOLUNTARY PREPAYMENT. The Borrowers each may, at any time and from time to time, voluntarily pay or prepay the Notes in whole or in part, EXCEPT that with respect to any voluntary prepayment of the Notes under this Section:

(i) Except for any repayments out of the collected funds in the Collection Accounts, the Administrative Agent (and in the case of a UK Loan, ING UK) shall have received written notice of any prepayment before 10:00 a.m., New York time, on the Business Day on which such payment is to be made, which notice shall identify the date and amount of the prepayment;

(ii) The relevant Borrower shall pay any Breakage Fees due pursuant to Section 3.5(g) with respect to any Eurodollar Loan in connection with such prepayment; and

(iii) any partial prepayment shall be in a minimum amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof.

3.2 CLOSING AND AGENCY FEES. The Borrowers shall pay to the Administrative Agent the closing and agency fees described in the Fee Letter on the dates set forth therein, which fees are for the sole account of the Administrative Agent, provided that from the closing fees described in this Section, the Administrative Agent shall pay to each Lender a closing fee in an amount set forth in a letter agreement between the Administrative Agent and that Lender.

3.3 COMMITMENT FEES. From the Closing Date, the Borrowers shall pay commitment fees to the Administrative Agent for the account of the Lenders according to their Pro Rata Shares, PROVIDED that the liability of LEP UK shall be limited as set forth in Section 12.28. The commitment fees shall be payable quarterly in arrears on each Quarterly Payment Date and on the earlier of the Maturity Date or the date upon which the Commitments are terminated or reduced in accordance with Section 2.3. Commitment fees shall accrue at the rate of (a) 0.125% per annum with respect to that portion of the Average Unused Commitment which is the Unavailable Commitment, (b) 0.250% per annum TIMES that portion of the Average Availability which is not greater than \$50,000,000, and (c) 0.375% of that portion of Average Availability which is in excess of \$50,000,000.

3.4 LETTER OF CREDIT FEES. Each Borrower each shall pay a letter of credit fee to the Administrative Agent with respect to each Letter of Credit issued for its account equal to the product of (a) the then applicable Eurodollar Rate Margin for the term of such Letter of Credit, and (b) the face value of such Letter of Credit (a "Letter of Credit Fee"). This fee shall be payable of each Letter of Credit quarterly in arrears on each Quarterly Payment Date. A portion of the Letter of Credit Fee equal to the greater of .125% or \$500 shall be a fronting fee for the sole account of the Issuing Lender, and the remainder shall be payable to the Lenders in accordance with their Pro Rata Shares. The Administrative Agent shall promptly make available to the Lenders, in immediately available funds, their portion of all Letter of Credit Fees. In addition to the Letter of Credit Fees, upon the amendment or negotiation of each Letter of Credit issued for their account, each Borrower shall pay to the Administrative Agent the amendment fees and other fees as the Issuing Lender normally charges in connection with a Letter of Credit and activity pursuant thereto, which amendment and other fees shall be solely for the account of the Issuing Lender.

### 3.5 INCREASED COSTS.

(a) If any Lender determines that either (i) the introduction of or any change in any law or regulation or in the interpretation or administration of any Law or regulation by any Governmental Agency charged

with the interpretation or administration thereof from the Closing Date or (ii) compliance with any guideline or request from any such Governmental Agency (whether or not having the force of law) has or would have the effect of reducing the rate of return on the capital of the Lender or any corporation controlling the Lender as a consequence of or with reference to the Lender's

making or maintaining its Pro Rata Share of the Commitments, any Advance, or its participation in any Letter of Credit or other transaction hereunder below the rate which the Lender or such other corporation could have achieved but for such introduction, change or compliance (taking into account the policies of the Lender or corporation with regard to capital), then each Borrower shall from time to time, upon demand by the Lender, pay to the Lender additional amounts sufficient to compensate the Lender or other corporation for such reduction. A certificate as to such amounts in reasonable detail, submitted to the Borrowers by the Lender (with a copy to the Administrative Agent), shall be conclusive and binding for all purposes, absent manifest error. Each Lender agrees promptly to notify the Borrowers of any circumstances that would cause Borrowers to pay additional amounts pursuant to this Section, PROVIDED that the failure to give notice shall not affect the Borrowers' obligations to pay such additional amounts hereunder.

(b) In the event that any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto): (i) on any date for determining the Eurodollar Rate for any Interest Period, (A) that by reason of any changes arising after the date of this Agreement affecting the London interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of the Eurodollar Rate; or (B) that the relevant Eurodollar Rate shall not represent the effective pricing to such Lender for funding or maintaining its portion of a Eurodollar Loan, or (ii) such Lender shall at any time incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loan in any such case because of (A) any change since the date of this Agreement in any applicable law or governmental rule, regulation, guideline or order or any interpretation thereof and including the introduction of any new law or governmental rule, regulation, guideline or order (such as, for example, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D of the Federal Reserve Board to the extent included in the computation of the Eurodollar Rate), whether or not having the force of law and whether or not failure to comply therewith would be unlawful, or (B) other circumstances materially and adversely affecting the London interbank eurodollar market or the position of such Lender in such market, or (iii) at any time, that the making or continuance by it of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law or governmental rule, regulation, guideline or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) or has become impracticable as a result of a contingency occurring



after the date of this Agreement that materially and adversely affects the London interbank eurodollar market, then, and in any such event, such Lender shall, promptly after making such determination, give notice (by telephone promptly confirmed in writing) to the Borrowers and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter, (x) in the case of clause (i) above, the Borrowers' right to request Eurodollar Loans shall be suspended, and any Request for Loan given by the Borrowers with respect to any borrowing of Eurodollar Loans that has not yet been made shall be deemed canceled and rescinded, (y) in the case of clause (ii) above, the relevant Borrowers shall pay to such Lender, upon such Lender's delivery of written demand therefor to the Borrowers with a copy to the Administrative Agent, such additional amounts (in the form of an increased rate of interest, or a different method of calculating interest, or otherwise, as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reduction in amounts received or receivable hereunder and (z) in the case of clause (iii) above, the relevant Borrowers shall take one of the actions specified in clause (c) below as promptly as possible and, in any event, within the time period required by law. Each request for compensation by a Lender under this clause (b) shall be submitted within 90 days following the date upon which such Lender first becomes aware of the events giving rise to the request for compensation.

(c) In the case of any Eurodollar Loan or requested Eurodollar Loan affected by the circumstances described in clause (b)(iii) above the relevant Borrowers shall, either if any such Eurodollar Loan has not yet been made but is then the subject of a Request for Loan, or if any such Eurodollar Loan is then outstanding, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan at the end of the applicable Interest Period or such earlier time as may be required by law, in each case by giving the Administrative Agent notice (by telephone promptly confirmed in writing) thereof on the Business Day that such Borrower was notified by the Lender pursuant to clause (b) above; PROVIDED, however, that all Lenders whose Eurodollar Loans are affected by the circumstances described above shall be treated in the same manner under this clause (c).

(d) Promptly after giving any notice to the Borrowers as a result of a circumstance described in Section 3.5(b)(ii) or 3.5(b)(iii), any Lender giving such notice will use good faith efforts to designate one of its offices located at an address other than that set forth on the signature pages hereto as the office from which any Advances to be made by such Lender will be made after such designation if such designation will

(i) avoid the need for, or reduce the amount of, any payment to which such Lender would otherwise be entitled pursuant to Section 3.5 or causing the Borrowers to take any of the actions described in Section 3.5(c) and (ii) not, in the sole discretion of such Lender, be otherwise disadvantageous to such Lender. If a Lender ("Affected Lender") shall have requested compensation from



Borrowers under Sections 3.5(a) or 3.5(b)(ii) hereof to recover additional costs incurred by such Lender which are not being incurred generally by the other Lenders, then Borrowers may make written demand on such Affected Lender (with a copy to the Administrative Agent) for the Affected Lender to assign, and such Affected Lender shall assign pursuant to one or more duly executed Commitment Assignment and Acceptance Agreements sixty (60) Business Days after the date of such demand, to one or more financial institutions that comply with the provisions of Section 12.8(b) (and that are reasonably acceptable to the Administrative Agent) which Borrowers shall have engaged for such purpose, all of such Affected Lender's rights and obligations under this Agreement and the other Loan Documents in accordance with Section 12.8.

(e) In the event that the Administrative Agent determines at any time following its giving of notice based on the conditions described in clause (b)(i) above that none of such conditions exist, the Administrative Agent shall promptly give notice thereof to the Borrowers and the Lenders, whereupon the Borrowers' right to request Eurodollar Loans from the Lenders and the Lenders' obligation to make Eurodollar Loans shall be restored.

(f) In the event that a Lender determines at any time following its giving of a notice based on the conditions described in clause (b)(iii) above that none of such conditions exist, such Lender shall promptly give notice thereof to the Borrowers and the Administrative Agent, whereupon the Borrowers' right to request Eurodollar Loans from such Lender and such Lender's obligation to make Eurodollar Loans shall be restored.

(g) The Borrowers each shall compensate each Lender, upon such Lender's delivery of a written demand therefor to the Borrowers, with a copy to the Administrative Agent (which demand shall, absent manifest error, be final and conclusive and binding upon all of the parties hereto), for all reasonable losses, expenses and liabilities incurred by such Lender in connection with the liquidation or reemployment of deposits or funds required by it to make or carry its Eurodollar Loans, that such Lender sustains (any and all of the foregoing, a "Breakage Fee"): (i) if for any reason (other than

a default by such Lender or a circumstance described in Section 3.5(b)(iii) with respect to such Lender) a borrowing of Eurodollar Loans does not occur on a date specified therefor in a Request for Loan (whether or not rescinded, canceled or withdrawn or deemed rescinded, canceled or withdrawn), (ii) if any repayment (including, without limitation, payment after acceleration) of any of its Eurodollar Loans occurs on a date which is not the last day of the Interest Period applicable thereto, (iii) any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Company or is made on a date other than on the last day of the Interest Period applicable thereto, or (iv) as a consequence of any default by Borrowers in repaying their Eurodollar Loans or any other amounts owing hereunder with respect to its Eurodollar Loans when required by the terms of this Agreement.

(h) The Lenders shall be entitled to fund all or any portion of

the Loans in any manner each Lender may determine in its sole discretion, including, without limitation, in the Grand Cayman interbank market, the London interbank market and within the United States, but all calculations and transactions hereunder shall be made on the assumption that such Lender has funded its relevant Eurodollar Loan through the purchase of a Eurodollar deposit bearing interest at the Eurodollar Rate in an amount equal to the amount of such Eurodollar Loan with a maturity equivalent to the Interest Period applicable to such Eurodollar Loan, and through the transfer of such Eurodollar deposit from an offshore office of such Lender to a domestic office of such Lender in the United States of America, PROVIDED that each Lender may fund its Eurodollar Loans in any manner that it in its sole discretion chooses and the foregoing assumption shall only be made in order to calculate amounts payable under this Section.

3.6 DEFAULT RATE. Upon the occurrence and during the continuance of an Event of Default, (a) all Loans during such continuance shall bear interest at the rate otherwise applicable thereto plus 2% per annum, (b) all fees (other than Letter of Credit Fees) and costs and other amounts that are then due and unpaid under any Loan Document shall during such continuance bear interest at a fluctuating rate per annum at all times equal to the sum of the Base Rate PLUS the Base Rate Margin, plus 2% per annum, and (c) all Letter of Credit Fees shall continue at the then current rate, plus 2% per annum, in each case to the fullest extent permitted by applicable Laws. All such interest and fees shall be payable upon demand by the Administrative Agent (at the direction of the Majority Lenders) Accrued and unpaid interest on the past due amounts (INCLUDING, without limitation, interest on past due interest) shall be compounded

quarterly, on the last day of each calendar quarter, to the fullest extent permitted by applicable Laws.

3.7 COMPUTATION OF INTEREST AND FEES. Computation of interest under this Agreement and the other Loan Documents shall be made on the basis of a year of 360 days and the actual number of days elapsed. Commitment fees will be computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Any Loan that is repaid on the same day on which it is made shall bear interest for one day. If any payment to be made by the Company or any other Party under any Loan Document shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day and the extension of time shall be reflected in computing interest.

### 3.8 MANNER AND TREATMENT OF PAYMENTS.

(a) Each payment hereunder with respect to the Domestic Notes or under any other Loan Document (to the extent that the same relate to the Domestic Commitment) shall be made to the Administrative Agent, at the Administrative Agent's account number 9301035763 at The Chase Manhattan Bank, N.A., (ABA #021-000-021 ref: International Logistics Limited), for

the account of each of the Lenders or the Administrative Agent, as the case may be, in immediately available funds not later than 1:00 p.m., New York time, on the day of payment (which must be a Business Day); PROVIDED, however, that the relevant Borrowers shall provide a minimum of one hour's prior notice of any payments to be made after 11:30 a.m., New York time. Each payment hereunder with respect to the UK Note or under any other Loan Document (to the extent that the same relate to the UK Commitment) shall be made to ING Bank, n.v. (London Branch) at an account number designated by ING Bank, n.v., in immediately available funds not later than 12:00 noon, London local time, on the day of payment (which must be a Business Day); PROVIDED, however, that LEP UK shall provide a minimum of one hour's prior notice to ING UK (with a copy to the Administrative Agent) of any payments to be made after 11:00 a.m., London local time. In addition thereto, all collected funds in the UK Collection Account shall, at 12:00 noon, London local time on each Business Day, be credited to the Loans under the UK Note (effective on the same Business Day). ING UK shall provide to the Administrative Agent, on the same Business Day, a report of all payments with respect to the UK Note as aforesaid. All payments received after the deadlines

described above on any particular Business Day and of which the Administrative Agent did not receive at least one hour's prior notice, shall be deemed received on the next succeeding Business Day, unless the relevant Borrowers provide to the Administrative Agent reasonably satisfactory evidence that it had initiated on a prior Business Day a wire transfer of funds to be immediately available on the particular Business Day, in which case such payment (whenever received) shall be deemed received on the particular Business Day. The amount of all payments received by the Administrative Agent for the account of each Lender shall be paid by the Administrative Agent to the applicable Lender in immediately available funds on the same day received by the Administrative Agent (provided that payments received by the Administrative Agent after 1:00 p.m., New York time on any Business Day, and all payments received after 11:30 a.m., New York time, on any particular Business Day and of which the Administrative Agent did not receive at least one hour's prior notice, shall be deemed to be received on the next Business Day). All payments shall be made in lawful money of the United States of America.

(b) Each Lender shall use its best efforts to keep a record of Advances made by it and payments received by it with respect to each of its Notes and, subject to Section 11.6(g), such record shall be presumptive evidence of the amounts owing. Notwithstanding the foregoing sentence, no Lender shall be liable to any party for any failure to keep such a record.

(c) Each payment of any amount payable by the Borrowers or any other Party under this Agreement or any other Loan Document shall be made free and clear of, and without reduction by reason of, any taxes,

assessments or other charges imposed by any Governmental Agency, central bank or comparable authority (other than taxes on income, gross receipts or net worth generally applicable to banks or financial institutions). To the extent that any Borrower is obligated by applicable Law to make any deduction or withholding on account of taxes, assessments or other charges imposed by any Governmental Agency from any amount payable to any Lender under this Agreement, that Borrower shall make such deduction or withholding and pay the same to the relevant Governmental Agency and pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-tax (or after assessment or after-charge) amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding.

If and when receipt of such payment results in an excess payment or credit to that Lender on account of such taxes, assessments or other charges, that Lender shall refund such excess to the relevant Borrowers.

(d) Each Lender that is organized outside the United States of America shall promptly, and in any event prior to the due date of any payment by the Company or the Borrowers hereunder, deliver to the Company Internal Revenue Service Form 4224 and any other certificate or statement or exemption required by applicable Laws, properly completed and duly executed by such Lender, to establish that such payment is not subject to withholding under the Code because such payment is effectively connected with the conduct by such Lender of a trade or business in the United States of America. Unless the Company and the Administrative Agent have received such Form or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to United States withholding tax, the Company or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the Laws of a jurisdiction outside the United States of America and Section 3.8(c) shall not apply thereto.

3.9 FAILURE TO CHARGE NOT SUBSEQUENT WAIVER. Any decision by the Administrative Agent or any Lender not to require payment of any interest (INCLUDING interest at the Default Rate), fee, costs or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion, shall in no way limit or be deemed a waiver of the Administrative Agent's or such Lender's respective right to require full payment of any interest (INCLUDING interest at the Default Rate), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method, on any other or subsequent occasion.

3.10 ADMINISTRATIVE AGENT'S RIGHT TO ASSUME PAYMENTS WILL BE MADE BY BORROWERS. Unless the Administrative Agent shall have been notified by the relevant Borrowers prior to the date on which any payment to be made by that Borrower hereunder is due that such Borrower does not intend to remit such

payment, the Administrative Agent may, in its discretion, assume that such Borrower has remitted such payment when so due and the Administrative Agent may, in its discretion and in reliance upon such assumption, make available to each Lender on such payment date an amount equal to such Lender's share of such assumed payment. If such Borrower has not in fact

remitted such payment to the Administrative Agent, each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon with respect to each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at a rate per annum equal to the Federal Funds Rate for such period.

3.11 FEE AND COST DETERMINATION DETAIL. The Administrative Agent and each Lender shall provide reasonable detail to the Company regarding the manner in which the amount of any payment to the Administrative Agent or that Lender under this Agreement has been determined.

3.12 SURVIVABILITY. All of the Borrowers' respective obligations under Section 3.5 shall survive for three months following the date on which all Loans hereunder are fully paid; PROVIDED, however, that such obligations shall not, from and after the date on which all Loans hereunder are fully paid, be deemed Obligations for any purpose under the Loan Documents.

## ARTICLE IV

### COLLECTIONS OF COLLATERAL AND CASH MANAGEMENT

4.1 COLLECTION OF RECEIVABLES. The Company and each of the Borrowers agree to cause all collections of Receivables which are received by the Company and its Restricted Subsidiaries at any time and from time to time to be deposited into the appropriate Lockbox Account or Depositary Account or directly into relevant Concentration Account. The Company and each of the Borrowers agree to notify all account debtors with respect to Receivables now or hereafter held by the Company and its Restricted Subsidiaries to remit their payments directly to the appropriate Lockbox Account. All funds deposited into the Lockbox Accounts shall be immediately transferred to a Depositary Account.

If the Company or any of its Restricted Subsidiaries receives any payment from any account debtor with respect to any Receivable, the Company or such Restricted Subsidiary shall hold such payments as trustee for the Administrative Agent, for the benefit of the Creditors, and shall immediately deposit all such payments (and other Cash proceeds thereof now or hereafter in the possession of the Company or its Restricted Subsidiaries) in a Lockbox Account or a Depositary Account or deliver the same to Administrative Agent or to the financial institution at which the appropriate Concentration Account is maintained for deposit into that Concentration Account in their original form, except for the Company's or such Subsidiaries' endorsement where necessary. Until the relevant Commitment has been terminated, all Letters of Credit then outstanding under that Commitment shall have been fully Cash-collateralized to the Administrative Agent's satisfaction or terminated and all of the other Obligations then due and payable under that Commitment shall have been fully paid and satisfied, the Company and its Restricted Subsidiaries shall continue to remit to the Lockbox Accounts, the Depositary Accounts, that Concentration Account or to the Administrative Agent, as applicable, all collections of Receivables. The Administrative Agent shall have the exclusive power of withdrawal from the Lockbox Accounts, the Depositary Accounts and (except to the extent that withdrawals therefrom are permitted by Section 4.2(b)) that Concentration Account, and the Company and each Borrower acknowledges that the Company and its Restricted Subsidiaries do not and will not have any right, title or interest in such accounts or the amounts at any time appearing to the credit of such Lockbox Accounts, the Depositary Accounts or the Concentration Account.

Notwithstanding the foregoing, the Administrative Agent agrees that, until notice given by the Administrative Agent in its sole unfettered discretion, LEP Canada shall be entitled to collect its Receivables and deposit same into an account with a chartered bank in Canada acceptable to the Administrative Agent and to use such funds in the conduct of its business PROVIDED THAT such chartered bank, the Administrative Agent and LEP Canada have entered into a collection account agreement on terms satisfactory to the Administrative Agent which will provide, INTER ALIA, that upon notice from the Administrative Agent (which notice may be given if an Event of Default occurs or if Minimum Availability at any time is less than \$20,000,000), LEP Canada shall have no further authority or control over funds in such account and such account shall daily be swept and all funds therein transferred to such account or accounts as may be designated by the Administrative Agent. The Administrative Agent shall endeavor to provide LEP Canada and the Company with prompt notice of its delivery of any notice under this paragraph (without liability for any failure to do so).

4.2 CONCENTRATION ACCOUNTS. (a) On a daily basis, the Company and each Borrower will or will cause all immediately available funds in each Depositary Account to be immediately transferred into relevant Concentration Account.



(b) All collected funds contained in the Domestic Concentration Account shall be applied, on a daily basis, to the Obligations under the Domestic Commitment, PROVIDED THAT if, as of any date of determination, (i) no Default or Event of Default has then occurred and remains continuing, and (ii) Minimum Availability is not less than \$20,000,000 then the collected funds shall not be so applied, and the Administrative Agent shall remit any or all such funds to an account designated by the Company and the Domestic Borrowers.

(c) From and after the date upon which the initial UK Loans are made, all collected funds contained in the Concentration Account relating to the UK Commitment shall be applied, on a daily basis, to the Obligations under the UK Commitment (without regard to the then current level of Minimum Availability), PROVIDED that, if no Event of Default exists, any such funds contained in such Concentration Account which are in excess of the then outstanding UK Loans shall be remitted to an account designated by the UK Borrower.

4.3 APPLICATION OF FUNDS. Except as hereinafter provided in this Section, all payments received in each Concentration Accounts shall be the sole property of the

Administrative Agent, for the benefit of the Creditors. Any amounts received in the Concentration Account at ING Bank, n.v. (or any other bank holding the Concentration Account for the UK Commitment) will be credited to the Obligations under the UK Commitment and any amounts received in the other Concentration Account shall be credited to the Obligations under the Domestic Commitment as follows: (a) after allowing two (2) Business Days for collection of checks and other instruments in the case of checks and other instruments received directly in the Concentration Account, all such payments will be credited (conditional upon final collection), and (b) all Cash payments, including payments made by wire transfer of immediately available funds received in time for the then posted clearing time on the date received, will be credited immediately after receipt thereof or, if not received in time for posting, on the next succeeding Business Day. All payments received from LEP Canada, whether following a demand pursuant to the Guarantee signed by it or otherwise will be applied in accordance with Section 10.2(e). If any Person makes any payment to the Lenders or the Lenders receive any payment or proceeds of Collateral for the benefit of the Company or any of its Restricted Subsidiaries, which payment is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any Debtor Relief Law or for any other reason, then, to the extent of such payment or proceeds, the Obligations shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Lenders. The financial institutions at which the Concentration Account are maintained shall disburse amounts credited to the Concentration Accounts in such manner as the Administrative Agent may from time to time direct, in its sole discretion. At such time as the relevant Commitment has terminated, all outstanding Letters of Credit under that Commitment have terminated or been fully Cash collateralized to the Administrative Agent's satisfaction and all Obligations under that Commitment have been fully paid and satisfied, all amounts in the

Concentration Account, the Disbursement Accounts and the Lockbox Accounts shall be paid over to the relevant Borrower.

4.4 ADDITIONAL LENDER ACCOUNTS. Schedule 4.4 lists each demand and time deposit account maintained by the Company and each Restricted Subsidiary as of the Closing Date with any financial institution, and sets forth the correct account name and number with respect to each such account. The Company and its Restricted Subsidiaries shall not deposit any collections or Receivables in any demand or time deposit account that is not a Blocked Account, a Depositary Account, a Lockbox Account, or the Concentration Account or, in the case of LEP Canada, the account with a Canadian chartered bank subject to a collection account agreement all as provided in Section 4.1

until such time as the Administrative Agent in its discretion gives notice of the termination of such rights as provided in Section 4.1. At such times as Minimum Availability is less than \$20,000,000, unless the Administrative Agent otherwise consents in writing, the Company and its Restricted Subsidiaries shall not permit more than \$500,000 in the aggregate at any time to be kept on deposit in Blocked Accounts. The Company and its Active Subsidiaries shall not open any new account, nor close any existing account, without prior notice to the Administrative Agent and in no event shall open any new account unless such account is subject to blocked account arrangements (or, in the case of LEP Canada, collection account agreements) in form and substance reasonably satisfactory to Administrative Agent.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

The Company and each Borrower (in the case of LEP UK, as to itself only) represents and warrants to the Lenders that, in each case after giving effect to the transactions contemplated hereby:

5.1 SOLVENCY. (i) On the Closing Date and after giving effect to the transactions contemplated hereby, the Company, each Domestic Borrower, and each Restricted Subsidiary of the Domestic Borrowers shall be Solvent, and (ii) on the date of any Request for Loan and after giving effect to the borrowing of such Loan, the Company and each Domestic Borrower and, on and after the date of the first extension of credit under the UK Commitment, LEP UK shall be Solvent.



5.2 EXISTENCE AND QUALIFICATION, POWER, COMPLIANCE WITH LAWS. The Company is a corporation duly formed, validly existing and in good standing under the Laws of Delaware. The Company is duly qualified to transact business, and is in good standing in Delaware and each other jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification or registration necessary, EXCEPT where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect. The Company has all requisite corporate power and authority to conduct its business, to own and lease its Properties and to execute and deliver each Loan Document to which it is a Party and to perform the Obligations to be performed by it thereunder. The Company and its Restricted Subsidiaries have each duly executed and delivered each Loan Document to which each is a party. As of the Closing Date, the chief executive offices of the Company are located in Hillside, Illinois at the address for notices set forth in the signature pages to this Agreement. All outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid, non-assessable and issued in compliance with all applicable state, provincial and federal securities and other Laws. As of the Closing Date, there are 5,000,000 shares of common stock of the Company authorized and (as of June 30, 1997) 2,051,996 shares of common stock of the Company issued and outstanding and not less than eighty-five percent (85%) of the issued and outstanding shares of the capital stock of the Company are then owned collectively by the Sponsors and the management of the Company and its Subsidiaries. No Person holds any option, warrant or other right to acquire any shares of capital stock of the Company except as disclosed in Schedule 5.2. The Company is in

compliance with all Laws and other legal requirements applicable to its business, has obtained all authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all Filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, EXCEPT where the failure so to comply, file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

5.3 AUTHORITY; COMPLIANCE WITH OTHER AGREEMENTS AND INSTRUMENTS AND GOVERNMENT REGULATIONS. Except as set forth in Schedule 5.3, the execution, delivery and performance by each of the Company and its Restricted Subsidiaries of the Loan Documents to which it is a Party have been duly authorized by all necessary corporate action, and do not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party;

(b) Violate or conflict with any provision of such Party's charter, consenting documents, articles of incorporation or bylaws, as applicable;

(c) Result in or require the creation or imposition of any Lien or Right of Others (other than pursuant to the Collateral Documents) upon or with respect to any Property now owned or leased or hereafter acquired by such Party;

(d) Violate any Requirement of Law applicable to such Party;

(e) Constitute a "transfer of an interest" or an "obligation incurred" that is avoidable by a trustee under Section 548 of the Bankruptcy Code of 1978, as amended, or constitute a "fraudulent conveyance," "fraudulent obligation" or "fraudulent transfer" within the meanings of the Uniform Fraudulent Conveyance Act or Uniform Fraudulent Transfer Act or any similar law, as enacted in any jurisdiction or constitute any fraudulent preference, fraudulent transfer or other transaction reviewable under the Bankruptcy and Insolvency Act of Canada or any other Law of Canada or any province of Canada; or

(f) Result in a breach of or default under or would, with the giving of notice or the lapse of time or both, constitute a breach of or default under, or cause or permit the acceleration of any obligation owed under, any

indenture or loan or credit agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected; and neither the Company nor any of its Subsidiaries is in violation of, or default under, any Requirement of Law or Contractual Obligation, or any indenture, loan or credit agreement described in Section 5.3(f), in any respect that constitutes a Material Adverse Effect.

5.4 NO GOVERNMENTAL APPROVALS REQUIRED. Except as set forth in Schedule 5.4, no authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is required to authorize or permit under applicable Laws the execution, delivery and performance by the Company and each of its Restricted Subsidiaries of the Loan Documents to which it is a Party. All or filings with, any Governmental Agency described in Schedule 5.4, except as otherwise specified therein, will be accomplished as of the Closing Date.

#### 5.5 SUBSIDIARIES.

(a) Schedule 5.5 hereto correctly sets forth as of the Closing Date the names, the form of legal entity, jurisdictions of organization and (in the case of the Domestic Subsidiaries) locations of the chief executive offices of all Subsidiaries of the Company, and the number of shares of capital stock issued and outstanding of each Restricted Subsidiary of the Company. As of the Closing Date, the Company does not own any capital stock or equity interest in any Person other than its Subsidiaries. Unless otherwise indicated on Schedule 5.5, as of the

Closing Date, all of the outstanding shares of capital stock or all of the units of equity interest, as the case may be, of each Restricted Subsidiary are owned of record and beneficially by the Person designated on Schedule 5.5, there are no outstanding options, warrants or other rights to purchase capital stock of any Restricted Subsidiary, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid, nonassessable, and were issued in compliance with all applicable Laws, and are free and clear of all Liens and Rights of Others, EXCEPT for Permitted Encumbrances and Permitted Rights of Others.

(b) As of the Closing Date, Schedule 5.5 correctly identifies those Subsidiaries of the Company which are Restricted Subsidiaries or Inactive Subsidiaries.

(c) Each Restricted Subsidiary which is an Active Subsidiary is a legal entity of the form described for that Subsidiary in Schedule 5.5, duly organized, validly existing, and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary (EXCEPT where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its Properties.

(d) Except as set forth on Schedule 5.5, each Restricted Subsidiary which is an Active Subsidiary is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Subsidiary has accomplished all filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business EXCEPT where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

5.6 FINANCIAL STATEMENTS. The Company has furnished to the Lenders (a) the audited financial statements of the Company and its Subsidiaries as at December 31, 1996, (b) and the unaudited consolidated and consolidating financial statements of the Company and its Subsidiaries as of June 30, 1997. The financial statements described above fairly present the financial condition and the results of operations of the Persons described as at such dates and for such periods in accordance with Generally Accepted Accounting Principles consistently applied, subject to year-end adjustments and the absence of footnotes.

5.7 NO OTHER LIABILITIES; NO MATERIAL ADVERSE EFFECT. EXCEPT as

described in Schedule 5.7, as of the Closing Date, the Company and its Restricted Subsidiaries do not and will not have any material liability or material contingent liability not reflected or disclosed in the financial statements described in Section 5.6. Except as otherwise disclosed in writing to the Lenders prior to the Closing Date, there has been no event or circumstance that has occurred that constitutes a Material Adverse Effect since December 31, 1996 or at the Closing Date.

5.8 TITLE TO PROPERTY. As of June 30, 1997, the Company and its Subsidiaries have, good and valid title to all the Property reflected in the financial statements described in Section 5.6 other than Property subsequently sold or disposed of in the ordinary course of business, free and clear of all Liens and Rights of Others, other than Permitted Encumbrances and Permitted Rights of Others and as otherwise permitted by Section 7.11.

5.9 INTANGIBLE ASSETS. Except as set forth in Schedule 5.9, the Company and its Restricted Subsidiaries own, or possess the right to use to the extent necessary in their respective businesses, all trademarks, trade names, copyrights, patents, patent rights, computer software, licenses and other Intangible Assets that are used in the conduct of their respective businesses as now operated and which are material to the condition (financial or otherwise), business or operations of the Company and its Restricted Subsidiaries, taken as a whole, and no such Intangible Asset, to the Best Knowledge of the Company, conflicts with the valid trademark, trade name, copyright, patent, patent right or Intangible Asset of any other Person to the extent that such conflict constitutes a Material Adverse Effect.

5.10 GOVERNMENTAL REGULATION. Neither the Company nor any of its Restricted Subsidiaries is subject to regulation under any Law limiting or regulating its ability to incur Indebtedness for money borrowed.

5.11 LITIGATION. As of the Closing Date, there are no actions, suits, proceedings or investigations pending as to which the Company or its Restricted Subsidiaries have been served or have received notice or, to the Best Knowledge of the Company, have been threatened against or affecting the Company or its Restricted Subsidiaries or any Property of any of them before any Governmental Agency that individually could be reasonably expected to (i) result in an adverse decision which could, in a manner not involving the payment of money, materially and adversely affect the condition (financial or otherwise) or business operations of the Company and its Restricted Subsidiaries, taken as a whole, or the properties and assets of the Company and its Subsidiaries, taken as a whole, or (ii) in any manner draw into question the validity or enforceability of any Loan Document. As of the Closing Date, except as set forth in Schedule 5.11, there are no actions, suits, proceedings or investigations pending as the Company and its Restricted Subsidiaries, or, to the Best Knowledge of the Company and its Restricted Subsidiaries, threatened against or affecting the Company or its Restricted

Subsidiaries which could reasonably be expected to result in a judgment in excess of \$500,000 (other than a money judgment covered by insurance as to which the insurance the Company has not disclaimed or reserved the right to disclaim coverage) being entered or filed against the Company or any of its Restricted Subsidiaries.

5.12 BINDING OBLIGATIONS. Each of the Loan Documents to which the Company or any of its Restricted Subsidiaries is a Party will, when executed and delivered by such Party, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, EXCEPT as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

5.13 NO DEFAULT. As of the Closing Date, and giving effect to each of the transactions contemplated to occur thereon, no event has occurred and is continuing that is a Default or an Event of Default.

5.14 ERISA.

(a) EXCEPT as disclosed in Schedule 5.14, neither the Company nor any ERISA Affiliate maintains, contributes to or is required to or will maintain, contribute to or will be required to contribute to, any "employee pension benefit plan" that is subject to Title IV of ERISA.

(b) With respect to each Pension Plan disclosed in Schedule 5.14 and except as may be otherwise therein described:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws;

(ii) such Pension Plan has not incurred any material "accumulated funding deficiency," as that term is defined in Section 302 of ERISA;

(iii) no "reportable event" (as defined in Section 4043 of ERISA) has occurred that would subject the Company or any of its ERISA Affiliates to any liability with respect to such Pension Plan that would constitute a Material Adverse Effect;

(iv) neither the Company nor any ERISA Affiliate thereof has engaged in any nonexempt "prohibited transaction" (as defined in Section 4975 of the Code) that would subject the Company or any of its ERISA Affiliates to any penalty that would constitute a Material Adverse Effect;

(v) no Termination Event has occurred or may reasonably be expected to occur that would constitute a Material Adverse Effect;

(vi) no material liability to the PBGC (other than required premium payments), the Internal Revenue Service, any Pension Plan, Multiemployer Plan or any trust related thereto has been, or is expected by the Company or any of its ERISA Affiliates to be, incurred by the Company or any of its ERISA Affiliates that would constitute a Material Adverse Effect;

(vii) neither the Company nor any of its ERISA Affiliates has any contingent liability with respect to any post-retirement benefit under any "Welfare plan" (as defined in Section 3(1) of ERISA) that would constitute a Material Adverse Effect, other than liability for continuation coverage under Part 6 of Title I of ERISA; and

(viii) no lien under Section 412(n) of the Code or 302(f) of ERISA or requirement to provide security under Section 401(a)(29) of the Code or Section 307 of ERISA has been or is reasonably expected by the Company or any of its ERISA Affiliates to be imposed on the assets of the Company or any member of its ERISA Affiliates that would constitute a Material Adverse Effect.

(c) As of the Closing Date, all contributions required to be made by the Company or any of its ERISA Affiliates to a Multiemployer Plan described in Schedule 5.14 have been made or will have been made except as may be described in Schedule 5.14.

## 5.1 CAN PLANS.

(a) All CAN Plans, which will be maintained by the Company or its Subsidiaries, are described on Schedule 5.15 hereto:

(b) no CAN Plan which is a registered pension plan has been terminated (in whole or in part) nor have any proceedings been instituted or threatened to terminate (in whole or in part) any such CAN Plan which termination has or could reasonably be expected to have a Material Adverse Effect or could reasonably be expected to give rise to a Lien,

(c) neither the Company nor any of its Subsidiaries has ceased to participate (in whole or in part) as a participating employer in any CAN Plan which is a registered pension plan;

(d) except as disclosed on Schedule 5.15 hereto, neither the Company nor any of its Subsidiaries has any unfunded liability (including contingent unfunded liability) on wind up (in whole or in part) to any CAN Plan which is a registered pension plan or any solvency deficiency in any such CAN Plan in excess of \$1,000,000;

(e) except as disclosed on Schedule 5.15 hereto, neither the Company nor any of its Subsidiaries has any material liability in respect



of any CAN Plan other than for required insurance premiums or contributions or remittances which have been paid, contributed and remitted when due;

(f) all contributions have been made to the CAN Plans as required by law or the terms thereof to be made when due and neither the Company nor any of its Subsidiaries is in arrears in the payment of any contribution, payment, remittance or assessment or in default in filing any reports, returns, statements and similar documents in respect of the CAN Plans required to be made or paid pursuant to any CAN Plan any law, act, regulation, directive or order or any employment, union, pension, deferred profit sharing, benefit, bonus or other similar agreement or arrangement;

(g) neither the Company nor any of its Subsidiaries is liable or, to the Best Knowledge of the Company, alleged to be liable, to any employee or former employee, director or former director, officer or former officer resulting from any violation or alleged violation of any CAN Plan which is a registered pension plan, any fiduciary duty, any law or agreement in relation to any such CAN Plan, except as disclosed in Schedule 5.15 hereof, does not have any unfunded pension or like obligations or solvency deficiency in excess of \$1,000,000 (including any past service or experience deficiency funding liabilities), other than accrued obligations not yet due, for which it has made full provision in its books and records;

(h) without limiting the foregoing, all of the CAN Plans are and have been since their inception, administered in accordance with their terms and all applicable laws in all material respects and are duly registered where required by, and are in compliance and good standing in all material respects under, all applicable laws, acts, statutes, regulations, orders, directives and agreements, including, without limitation, the Income Tax Act of Canada, and the Pension Benefits Act of Ontario, any successor legislation thereto, and other applicable laws of any jurisdiction; and

(i) except for claims for benefit payments in the normal course, there are no material outstanding or pending or threatened investigations, claims, suits or proceedings in respect of any CAN Plans (including to assert rights or claims to benefit payment other than in the normal course or that could give rise to any material liability).

5.16 REGULATIONS G, T, U AND X. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any "margin stock" (as such term is defined in Regulations G, T, U and X) in violation of Regulations G, T, U or X. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock."

5.17 DISCLOSURE. No written statement made by a Senior Officer of the Company or any of its Subsidiaries to any Creditor in connection with this Agreement, or in connection with any Loan, as such statement may be amended, modified or supplemented prior to the Closing Date, contains any untrue statement of a material fact

or omits a material fact necessary in order to make the statement made not misleading in light of all the circumstances existing at the date the statement was made. To the Best Knowledge of the Company there is no fact (other than matters of a general economic nature or matter generally applicable to businesses of the types engaged in by the Company and its Subsidiaries) that would constitute a Material Adverse effect that has not been disclosed in writing to the Administrative Agent and the Lenders.

5.18 TAX LIABILITY. Except as disclosed on Schedule 5.18, the Company and its Restricted Subsidiaries have filed all material tax returns that are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, Property or transactions covered by said returns, or pursuant to any assessment received by the Company or any of its Restricted Subsidiaries, EXCEPT:

(a) taxes for which the Company or its relevant Restricted Subsidiaries have been fully indemnified;

(b) such taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate accounting reserves have been established and maintained; and

(c) such minor taxes involving not more than \$25,000 in potential liability in any particular instance (or more than \$100,000 in the aggregate) imposed by a political subdivision of a State of the United States of America or the United Kingdom.

To the Best Knowledge of the Company, there is no tax assessment contemplated or proposed by any Governmental Agency against the Company or any of its Restricted Subsidiaries that would constitute a Material Adverse Effect OTHER than, (x) as of each date subsequent to the Closing Date, such contemplated or proposed tax assessments with respect to which the Company (i) has promptly notified Administrative Agent in writing of its knowledge and (ii) the Company or the appropriate Restricted Subsidiary of the Company has in good faith commenced, and thereafter diligently pursued, appropriate proceedings in opposition to such assessments and (y) as of the Closing Date and each date subsequent thereto, such matters as are disclosed on Schedule 5.15.

5.19 PROJECTIONS. As of the Closing Date, to the Best Knowledge of the Company, the assumptions set forth in the Projections attached hereto as Schedule 5.19 are reasonable and consistent with each other and with all facts



known to any Senior Officer of the Company, and in the reasonable judgment of the Company, no material assumption is omitted as a basis for the Projections, and the Projections are reasonably based on such assumptions. Nothing in this Section shall be construed as a representation or covenant that the Projections in fact will be achieved.

5.20 EMPLOYEE MATTERS. There is no strike or work stoppage in existence or threatened involving the Company or its Restricted Subsidiaries that would constitute a Material Adverse Effect.

5.21 SECURITY INTERESTS. Upon the execution and delivery of this Agreement, the Pledge and Security Agreements and the Canadian Security Documents, and the delivery of the Pledged Collateral to the Administrative Agent, the Pledge and Security Agreements and the Canadian Security Documents will create a valid first priority security interest in favor of the Administrative Agent for the ratable benefit of the Lenders in the Pledged Collateral therein described securing the Obligations, and all action necessary to perfect the security interest so created will have been taken and completed. Except in respect of LEP UK, upon the execution and delivery of this Agreement and the Pledge and Security Agreements, and upon the filing of Uniform Commercial Code financing statements (or, in the case of the Canadian Subsidiaries, Personal Property Security Act financing statements or recording and filing of such instruments or notice thereof, as applicable, under the governing law of each province in which Collateral may be located) with the appropriate Governmental Agencies a valid first priority security interest (or Lien in the case of Collateral of LEP Canada located in a province not governed by a Personal Property Security Act) in the Collateral described therein securing the Obligations (subject only to then existing Permitted Encumbrances, Permitted Rights of Others and matters permitted by Section 7.11 and to such qualifications and exceptions as are contained in the Uniform Commercial Code (as in effect in the relevant jurisdiction) with respect to the priority of security interests perfected by means other than the filing of a financing statement or with respect to the creation of security interests in Property to which Article 9 of said Code does not apply) shall be perfected. Upon the execution and delivery of the UK Security Documents by LEP UK, the UK Security Documents will create valid first priority security interests in the Collateral therein described in favor of the Administrative Agent for the ratable benefit of the Lenders securing the Obligations. Upon delivery for

registration of the UK Security Documents to the Registrar of Companies together with prescribed particulars thereof within 21 days of the date of creation of the security interests therein, the security interests contained therein will not be void against any liquidator of LEP UK nor any person who for value acquires an interest in or right over the Collateral.

5.22 HAZARDOUS MATERIALS. Except as specifically described in Schedule 5.22, neither the Company nor any of its Restricted Subsidiaries, nor any predecessor in title or any third person at any time occupying or present on

the real property owned or leased at anytime by the Company or any of its Restricted Subsidiaries, has disposed of, discharged, released or threatened the release of any material amount of Hazardous Materials on, from or under such real property in any manner that violates any Hazardous Materials Laws which violation could reasonably be expected to have a Material Adverse Effect. Except as specifically described in Schedule 5.11 or Schedule 5.22, there have been no actions, events, conditions or circumstances that might cause the Company or any Restricted Subsidiary to incur response costs under environmental Law, or costs relating to personal or property injury relating to owned or leased real property, except as would not individually or in the aggregate have a Material Adverse Effect. Except as specifically described in Schedule 5.22, no real property owned or leased by the Company or any of its Restricted Subsidiaries or portion thereof is or has been utilized by the Company or any of its Restricted Subsidiaries as a site for the manufacture, handling, treatment, storage or disposal of any Hazardous Materials and all such real property is in compliance in all material respects with all Hazardous Materials Laws. To the extent that any Hazardous Materials have been, or are used, generated or stored by the Company or any of its Restricted Subsidiaries on any real property, or transported to or from such real property by the Company or its Restricted Subsidiaries, such use, generation, storage and transportation have been, and are, in compliance in all material respects with all Hazardous Materials Laws. For the purposes of this Section, the phrase "real property owned or leased" includes, without limitation, any real property which is in the charge, management or control of the Company or any of its Restricted Subsidiaries or otherwise for which the Company or any of its Restricted Subsidiaries may be liable or responsible under any Hazardous Materials Laws.

5.23 LABOR DISPUTES. Except as set forth in Schedule 5.23, (a) There is no collective bargaining agreement or other labor contract covering any employees of the Company or its Restricted Subsidiaries except for that covering employees of any Canadian Subsidiaries of the Company; (b) to the Best Knowledge of the Company,

except for the contract referred to in clause (a) above, no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of any Canadian Subsidiaries of the Company or for any similar purpose; and (c) there is no pending or, to the Best Knowledge of the Company, threatened strike, work stoppage, material unfair labor practice claims or other material labor dispute against or affecting any Canadian Subsidiaries of the Company or their respective employees that could reasonably be expected to result in a Material Adverse Effect.

5.24 WORKERS' COMPENSATION. None of the Canadian Subsidiaries of the Company has any unpaid workers' compensation or like obligations except as are being incurred, and paid on a current basis in the ordinary course of business, and there are no proceedings, claims, actions, orders or investigation of any Governmental Agency relating to workers' compensation outstanding, pending or, to the Best Knowledge of the Company, threatened relating to them or any of their employees or former employees that could reasonably be expected to result

in a Lien or to result in a Material Adverse Effect.

5.25 INTERCOMPANY DEBT ARRANGEMENTS. Each of the Drop-Down Notes is properly described on Schedule 5.25, and there are no instruments, documents or agreements evidencing or representing Indebtedness by any Restricted Subsidiary of the Company to the Company or to any other Restricted Subsidiary of the Company other than the Drop-Down Notes or as set forth on Schedule 5.25.

5.26 CANADIAN SUBSIDIARIES. As of the Closing Date, except for LEP Canada, none of the Canadian Subsidiaries owns any Property or carries on any business activity.

ARTICLE VI  
AFFIRMATIVE COVENANTS  
(OTHER THAN INFORMATION AND REPORTING REQUIREMENTS)

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains in force, the Company and each Borrower shall (in the case of LEP UK, as to itself only), and shall cause each of the Restricted Subsidiaries to, unless the Administrative Agent (with the approval of the Majority Lenders) otherwise consents:

6.1 PAYMENT OF TAXES AND OTHER POTENTIAL LIENS. Pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon any of them, upon their respective Property or any part thereof, upon their respective income or profits or any part thereof or upon any right or interest of the Administrative Agent or any Lender under any Loan Document, EXCEPT that the Company and its Restricted Subsidiaries shall not be required to pay or cause to be paid:

(a) any income or gross receipts tax or any other tax on or measured by income generally applicable to banks which is payable by the Administrative Agent or any Lender;

(b) any tax, assessment, charge or levy that is not yet delinquent, or is being contested in good faith by appropriate proceedings, so long as the Company or its Restricted Subsidiaries, on a consolidated basis, have established and maintain adequate accounting reserves for the payment of the same and by reason of such nonpayment and contest no material item or portion of Property of the Company and its Restricted Subsidiaries, taken as a whole, is in jeopardy of being seized, levied upon or forfeited; and

(c) such minor taxes involving not more than \$250,000 in potential tax liability in any particular instance (or more than \$1,000,000 in the aggregate) imposed by a political subdivision of a State of the United States of America or the United Kingdom; and by reason of such nonpayment no material item or portion of Property of the Company and its Restricted Subsidiaries, taken as a whole, is in jeopardy

of being seized, levied upon or forfeited.

6.2 PRESERVATION OF EXISTENCE. Except as to Inactive Subsidiaries, preserve and maintain their respective existences in the jurisdiction of their formation and all authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective businesses, and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective businesses or the ownership or leasing of their respective Properties EXCEPT (a) where the failure to preserve and maintain any such authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits or registrations or to so qualify or remain qualified would not constitute a Material Adverse Effect, and (b) that a Disposition permitted under Section 7.4 or a merger permitted under Section 7.5 shall not constitute a violation of this covenant.

6.3 MAINTENANCE OF PROPERTIES. Maintain, preserve and protect all of their respective depreciable properties in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of their respective Properties, EXCEPT that the failure to maintain, preserve and protect a particular item of depreciable Property that is not of significant value, either intrinsically or to the operations of the Company and its Restricted Subsidiaries, taken as a whole, shall not constitute a violation of this covenant.

6.4 MAINTENANCE OF INSURANCE. Maintain liability, casualty and other insurance (subject to customary deductibles and retention) with responsible insurance companies in such amounts and against such risks as is carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which the Company and its Restricted Subsidiaries operate. Upon request by the Administrative Agent, the Company and each of its Restricted Subsidiaries shall furnish to the Administrative Agent copies of the policies under which such insurance is maintained, certificates of insurance and such other information relating to insurance as the Administrative Agent may request.

6.5 COMPLIANCE WITH LAWS. Comply with all Requirements of Laws, noncompliance with which would constitute a Material Adverse Effect, except that the Company and its Restricted Subsidiaries need not comply with a Requirement of Law then being contested by any of them in good faith by appropriate proceedings.

6.6 INSPECTION RIGHTS. Upon reasonable notice, at any time during regular business hours and as often as requested (but not so as to materially interfere with the business of the Company and its Restricted Subsidiaries), permit the Administrative Agent or any Lender, or any authorized employee, agent or representative thereof, to examine, audit and make copies and abstracts from the records and books of account of, and to visit, inspect and to discuss the

affairs, finances and accounts of the Company and its Restricted Subsidiaries with any of their officers, key employees and accountants, and, with the prior approval of the Company, the customers or vendors of the Company and its Restricted Subsidiaries, and, upon request, furnish promptly to the Administrative Agent or any Lender true copies of all financial information made available to the senior management of the Company and its Restricted Subsidiaries.

6.7 KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Keep adequate records and books of account reflecting all financial transactions in conformity with Generally Accepted Accounting Principles and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over the Company or any of its Restricted Subsidiaries.

6.8 COMPLIANCE WITH AGREEMENTS. Promptly and fully comply with all Contractual Obligations under all material agreements, indentures, leases and/or instruments to which any one or more of them is a party, whether such material agreements, indentures, leases or instruments are with a Lender or another Person, EXCEPT that the Company and its Restricted Subsidiaries need not comply with Contractual Obligations under any such agreements, indentures, leases or instruments then being contested by any of them in good faith by appropriate proceedings or if the failure to comply with such agreements, indentures, leases or instruments does not constitute a Material Adverse Effect.

6.9 USE OF PROCEEDS. Use the proceeds of the Loans to refinance the obligations and Indebtedness under the Existing Loan Agreement, and for proper working capital purposes, and for other proper corporate purposes not prohibited hereunder.

6.10 HAZARDOUS MATERIALS LAWS. Keep and maintain all real property owned or leased by the Company or any of its Restricted Subsidiaries and each portion thereof in compliance in all material respects with all Hazardous Materials Laws and promptly advise the Administrative Agent in writing of: (a) any and all enforcement, cleanup, removal, compliance or other governmental or regulatory actions instituted,

completed or threatened in writing pursuant to any applicable Hazardous Materials Laws, (b) any and all claims made or threatened in writing by any third party against the Company or its Restricted Subsidiaries or any real property owned or leased by the Company or any of its Restricted Subsidiaries relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials ("Hazardous Material Claims") and (c) discovery by any Senior Officer of the Company or any Borrower of any occurrence or condition on any real property adjoining or in the vicinity of real property owned or leased by the Company or any of its Restricted Subsidiaries that could reasonably be expected to cause the such real property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such real property under any Hazardous Materials Laws. For the purposes of this Section, the phrase "real property owned or leased" includes, without

limitation, any real property which is in the charge, management or control of the Company or any of its Restricted Subsidiaries or otherwise for which the Company or any of its Restricted Subsidiaries may be liable or responsible under any Hazardous Materials Law.

6.11 ADDITIONAL COLLATERAL. With respect to each Inactive Subsidiary which hereafter becomes an Active Subsidiary, and each Restricted Subsidiary which is an Active Subsidiary of the Company formed or acquired after the Closing Date in accordance with the other terms of this Agreement, in each case concurrently with its becoming an Active Subsidiary, deliver to the Administrative Agent 100% of the capital stock of such Subsidiary and a Drop-Down Note and Drop Down Note Security Agreement executed by such Subsidiary, and cause such Subsidiary to enter into a Pledge and Security Agreement and to execute and deliver any financing statements or Canadian Personal Property Security Act filings which the Administrative Agent may reasonably request.

6.12 COLLATERAL. Create and maintain a valid first priority perfected security interest and Lien in favor of the Administrative Agent in all of the Collateral (subject only to Permitted Encumbrances, Permitted Rights of Others and matters permitted by Section 7.11). In addition, the Company shall provide the Administrative Agent, within a reasonable time period following the Administrative Agent's request therefor, with such Uniform Commercial Code, Personal Property Security Act, Register of Personal and Movable Real Rights (of Quebec), Companies Act of Nova Scotia, and, in England and Wales, searches of the public register maintained by the Registrar of Companies pursuant to, inter alia, the Companies Act of 1985 (as amended by the Companies Act of 1989) and other search reports as the Administrative Agent shall

reasonably request. Notwithstanding any other provision in any Loan Document, LEP UK shall be under no obligation to execute, deliver, file, record or perfect any UK Security Documents or other documents providing for the granting of collateral security, to create, attach or establish any lien or charge upon any Pledged Collateral or other asset of LEP UK or to comply with the provisions of Article IV until such time as it requests any extension of credit under the UK Commitment.

## ARTICLE VII



## NEGATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains in force, the Company and the Borrowers shall not (in the case of LEP UK, as to itself only), and shall not permit the Restricted Subsidiaries to, unless the Administrative Agent (with the approval of the Majority Lenders) otherwise consents:

7.1 CREATION OR DISSOLUTION OF SUBSIDIARIES. Establish any new Restricted Subsidiary, or allow any Inactive Subsidiary of a Restricted Subsidiary to become an Active Subsidiary, unless the Administrative Agent shall have been given at least five (5) days prior written notice thereof (other than as permitted by Section 7.6 hereof) or terminate, dispose of, dissolve, or otherwise liquidate any Restricted Subsidiary (other than the termination or dissolution of an Inactive Subsidiary or as permitted by Sections 6.2, 7.4 or 7.5 hereof).

7.2 PREPAYMENT OF INDEBTEDNESS. Prepay any principal or interest on any Indebtedness of the Company or any of its Restricted Subsidiaries prior to the date when due, or make any payment or deposit with any Person that has the effect of providing for the satisfaction of any Indebtedness of the Company or its Restricted Subsidiaries prior to the date when due, except Indebtedness to the Lenders under the Loan Documents, PROVIDED that this covenant shall not prohibit the prepayment of (a) the obligations described on Schedule 7.12B, (b) the Senior Notes out of (x) the net cash proceeds of Dispositions permitted hereunder, PROVIDED that no Default or Event of Default then exists and the Company and the relevant Borrowers have, within the 30 day period prior to the making of such prepayment offered to repay the Notes in such amount and to permanently reduce the amount of the Credit Limit by the amount of such repayment, and the Majority Lenders shall have rejected that offer, (y) the net cash proceeds of equity issuances made by the Company following the Closing Date, and (z) Subordinated Obligations incurred by the Company following the Closing Date in an aggregate principal amount not to exceed \$25,000,000, and (c) other obligations and indebtedness of the Company and its Restricted Subsidiaries (not including the Senior Notes) in an aggregate principal amount which does not exceed \$2,000,000 during the term of this Agreement.

7.3 PAYMENT OF SUBORDINATED OBLIGATIONS. Pay any principal (including sinking fund payments), interest or any other amount with respect to any Subordinated Obligation, or purchase or redeem (or make, or become obligated to make, any offer to purchase or redeem) any Subordinated Obligation, EXCEPT payment of interest in accordance with the terms of any Subordinated Obligation; PROVIDED, however, that during any period in which an Event of Default is then continuing, no such payment of interest shall be made prior to the expiration of the maximum period of interest blockage provided for under the terms of that Subordinated Obligation.

7.4 DISPOSITION OF PROPERTY. Make any Disposition of its Property, whether now owned or hereafter acquired, EXCEPT (a) a Disposition to the Company

or to a wholly owned Restricted Subsidiary in compliance with all Laws (including applicable tax Laws); and (b) other Dispositions made when no Default or Event of Default exists or would result therefrom, PROVIDED that (i) as of the date of any Disposition which, when aggregated with all other Dispositions theretofore made since the Closing Date, results in the aggregate non-cash proceeds of all such Dispositions being in excess of \$20,000,000, the Interest Charge Coverage Ratio for the twelve month period then ending shall be not less than 2.25:1.00, and (ii) if any Disposition involves the direct or indirect transfer of ownership to any accounts receivable, concurrently with the making of any such Disposition, the Company shall deliver a Borrowing Base making PRO FORMA adjustments to the Borrowing Base reflecting such Disposition.

7.5 MERGERS. Merge, consolidate or amalgamate with or into any Person, EXCEPT mergers, consolidations or amalgamations of a Subsidiary of the Company into the Company (with the Company as the surviving entity) or into a wholly owned Subsidiary of the Company; PROVIDED that (a) the Company and each of its Restricted Subsidiaries has executed such amendments to the Loan Documents and/or assumptions of liability under the Loan Documents at the Administrative Agent may determine are appropriate as a result of any such merger, consolidation or amalgamation, (b) LIWDE shall not merge, consolidate or amalgamate with any Person, and (c) LEP UK shall not merge, combine, consolidate or amalgamate with any Person (other than a Subsidiary of LIWDE, with LEP UK the surviving Person).

7.6 INVESTMENTS AND ACQUISITIONS. Make any Acquisition or enter into any agreement to make any Acquisition, or make or suffer to exist any Investment which is not in existence on the date of this Agreement and disclosed in Schedule 7.6 EXCEPT: (a) Investments consisting of Cash Equivalents, (b) Investments by the Company in any

Restricted Subsidiary and by any Restricted Subsidiary in the Company or in any other Restricted Subsidiary so long as any such investment is documented under a Drop-Down Note or otherwise evidenced in a manner satisfactory to the Administrative Agent; (c) Investments by any Borrower in its Active Subsidiaries or by the Subsidiaries of any Active Subsidiary of the Company in such Active Subsidiary, so long as any such Investment shall be documented under a Drop-Down Note; (d) the LIW Acquisition and the Investments resulting therefrom; (e) any other Permitted Acquisition and the Investments resulting therefrom, and (f) Investments by the Borrowers in Unrestricted Subsidiaries which are made when no Default or Event of Default has occurred and remains continuing and which do not result in Minimum Availability being less than \$10,000,000. Investments by, and Acquisitions made through, Unrestricted Subsidiaries shall not in and of themselves, be deemed to be Investments or Acquisitions by the Company.

7.7 HOSTILE TENDER OFFERS. Make any offer to purchase or acquire, or consummate a purchase or acquisition of, 5% or more of the capital stock of any corporation or other business entity if the board of directors or management of such corporation or business entity has notified the Company that it opposes such offer or purchase; provided that such acquisition or purchase is otherwise



permitted pursuant to the terms of this Agreement.

7.8 DISTRIBUTIONS. Make any Distribution, whether from capital, income or otherwise, and whether in Cash or other Property, EXCEPT (a) Distributions to the Company or to a wholly owned Subsidiary of the Company, (b) unless an Event of Default has occurred and is continuing, distributions to pay management fees, pursuant to the Management Agreements, not to exceed \$700,000, in the aggregate, per annum, (c) unless an Event of Default has occurred and is continuing, distributions to repurchase the stock held by an employee of the Company or any Subsidiary upon termination of employment of such employee, not to exceed \$3,000,000 in any Fiscal Year and \$10,000,000 in the aggregate, and (d) so long as no Default or Event of Default is existing or will be created thereby, other Distributions which, after giving effect thereto, do not result in Minimum Availability being less than \$20,000,000, and which do not exceed \$20,000,000 in the aggregate during the term of this Agreement, PROVIDED that in no event shall any Distributions be made pursuant to this clause (d) prior to October 31, 1998.

7.9 ERISA. (a) At any time, maintain, or be or become obligated to contribute on behalf of its employees to, any "employee pension benefit plan" that is

subject to Title IV of ERISA other than those Pension Plans disclosed in Schedule 5.14 and Multiemployer Plans to which the Company or any of its Subsidiaries is or becomes obligated to contribute pursuant to the terms of a collective bargaining agreement, (b) at any time, permit any Pension Plan disclosed in Schedule 5.14 in such case if to do so would constitute a Material Adverse Effect, to: (i) engage in any non-exempt "prohibited transaction," as such term is defined in Section 4975 of the Code; (ii) incur any material "accumulated funding deficiency," as that term is defined in Section 302 of ERISA, or (iii) suffer a Termination Event to occur which may reasonably be expected to result in liability of the Company or any ERISA Affiliate thereof to the Pension Plan or Multiemployer Plan or to the PBGC that could have a Material Adverse Effect or the imposition of a Lien on the Property of the Company or any ERISA Affiliate thereof pursuant to Section 4068 of ERISA, (c) fail, upon a Senior Officer of the Company becoming aware thereof, promptly to notify the Administrative Agent of the occurrence of any "reportable event" (as defined in Section 4043 of ERISA) (other than a reportable event that is not subject to the provision for 30-day notice to the PBGC or of any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) with respect to any Pension Plan described in Schedule 5.14 or any trust created thereunder, or (d) at any time, permit any Pension Plan described in Schedule 5.14 to fail to comply with ERISA, the Code or other applicable Laws in any respect that would result in a Material Adverse Effect.

7.10 CHANGE IN NATURE OF BUSINESS. Make any material change in the nature of the business of the Company and its Subsidiaries, taken as a whole, as at present conducted.

7.11 LIENS, NEGATIVE PLEDGES, SALES AND LEASEBACK. Create, incur, assume or suffer to exist any Lien or Right of Others of any nature upon or with respect to any of their respective Property, whether now owned or hereafter acquired or suffer to exist any Negative Pledge with respect to any of their respective Property, or engage in any sale and leaseback transaction with respect to any of their respective Property; EXCEPT: (a) Permitted Encumbrances and Permitted Rights of Others; (b) Liens and Negative Pledges in favor of the Administrative Agent or the Lenders under the Loan Documents; (c) existing Liens disclosed in Schedule 7.11, and refinances thereof, PROVIDED that the obligations secured thereby are not increased, (d) existing Rights of Others and Negative Pledges disclosed in Schedule 7.11; (e) Negative Pledges contained in a lease of Property that do not extend to any Property other than the leasehold estate created by such lease, (f) involuntary Liens arising solely by operation of Law which do

not secure any single obligation in excess of \$250,000 or aggregate obligations in excess of \$1,000,000; (g) Liens arising in connection with Capitalized Leases to the extent permitted hereunder; provided that no such Lien shall extend to or cover any assets other than the assets subject to such capitalized Lease; (h) Liens arising in connection with purchase money security interests to the extent permitted hereunder; provided that no such Lien shall extend to or cover any assets other than the assets subject to such purchase money security interest and the proceeds thereof; (i) Liens and negative pledges on any real property, equipment or fixtures now or hereafter owned by the Company or any of its Subsidiaries securing indebtedness permitted by Section 7.12(d); (j) deposits or other obligations in the form of a performance bond, if any, to secure the U.N. Guaranty; (k) until the making of the initial UK Loans and the issuance of the initial UK Letters of Credit, Liens in the assets of LEP UK (and related Negative Pledges with respect thereto) in favor of National Westminster Bank, plc, as security representative for the account of various other financial institutions, to secure the Indebtedness described in Section 7.12(k); and (l) the Negative Pledge contained in the Indenture governing the Senior Notes, as in effect on the date of this Agreement.

7.12 INDEBTEDNESS AND CONTINGENT OBLIGATIONS. Create, incur, assume or suffer to exist any Indebtedness or Contingent Obligation, EXCEPT: (a) existing Indebtedness and Contingent Obligations disclosed on Schedule 7.12A and any Indebtedness or Contingent Obligation existing on the Closing Date in an amount less than \$500,000, in the aggregate; (b) Indebtedness and Contingent Obligations in favor of the Lenders or the Administrative Agent under the Loan Documents; (c) Indebtedness of Borrowers and their Restricted Subsidiaries to and Contingent Obligations of Borrowers and their Restricted Subsidiaries in favor of , the Company or any Borrower, so long as any such Indebtedness is documented under by a Drop-Down Note Pledge and Security Agreement or otherwise evidenced in a manner satisfactory to the Administrative Agent, and (except in the case of the Borrowers, LEP Canada and its Canadian Subsidiaries), is secured pursuant to a Drop-Down Note Pledge and Security Agreement; (d) Indebtedness secured solely by real property, equipment and fixtures; (e) Indebtedness to Representative Agents and Contractors for services rendered; (f) Indebtedness to

Contractors incurred in connection with the advance payment by such Contractors of vehicle insurance premiums to the Company or any of its Subsidiaries; (g) purchase money Indebtedness and Capital Lease obligations in an amount which does not exceed \$30,000,000; (h) other Indebtedness or Contingent Obligation with an aggregate face amount not to exceed \$10,000,000, so long as such Indebtedness or Contingent Obligation is unsecured, and the aggregate of all principal, interest, and fee payments due

thereunder in any Fiscal Year does not exceed \$2,000,000; (i) interest rate and currency hedging agreements and arrangements on commercially reasonable terms; (j) Contingent Obligations of the Company or any of its Subsidiaries under the U.N. Guaranty; (k) Indebtedness and Contingent Obligations of LEP UK to the lenders described on Schedule 7.12B (but not any refinancings thereof); and (l) Subordinated Obligations incurred when no Default or Event of Default exists..

7.13 CAN PLANS. (a) Cause, allow or permit any CAN Plan to be other than duly qualified and administered in all respects in compliance with all applicable Laws (including regulations, orders and directives) and the terms of the CAN Plan and any agreement relating thereto; (b) cause, allow or permit any CAN Plan to have any unfunded liability or contribution due and not paid which does or is capable of giving rise to any trust or Lien; (c) fail to ensure that all amounts required to be paid by it under or in connection with any CAN Plan are paid when due and, notwithstanding the foregoing, that written notice is provided to the Administrative Agent of any amount due and unpaid under or in connection with any CAN Plan; (d) cause, allow or permit any liability upon it or Lien on any of its Property to arise in respect of any CAN Plan; (e) cause, allow or permit any Termination Event to occur in respect of any CAN Plan which could reasonably be expected to have a Material Adverse Effect; (f) make any payments in respect of any CAN Plan in excess of any minimum amounts required to be made by law and the terms of the CAN Plan; (g) after the Closing Date, amend or create any CAN Plan, if the result thereof is to increase the payment obligations in respect of any CAN Plan or the amounts of any solvency deficiencies or liabilities on wind up (in whole or in part) of any CAN Plan which could reasonably be expected to have a Material Adverse Effect; (h) maintain any new trust accounts for payments or contributions in respect of any CAN Plan other than those opened in substitution for existing trust accounts; and (i) fail to ensure that all contributions in respect of any CAN Plan are actually paid to the trustee under such CAN Plan prior to the date when due. The Company hereby irrevocably directs the trustee under the CAN Plans to apply an appropriate amount of any current credit to reduce and eliminate (to the extent of available surpluses under the CAN Plans) any Plan contributions or payments not made when due.

7.14 TRANSACTIONS WITH AFFILIATES. Enter into any transaction of any kind with any Affiliate of the Company other than (a) transactions between or among the Company and the Borrowers or between or among the Borrowers and their respective wholly-owned Subsidiaries, (b) transactions in the ordinary course and on terms at least as favorable to the Company and its Restricted

Subsidiaries as would be the case in an

arm's-length transaction between unrelated parties of equal bargaining power, (c) transactions involving the payment of a management or other similar fee to each of the Sponsors on the Closing Date in the amount of \$1,250,000 and thereafter periodically in accordance with the terms of the Management Agreements, not to exceed \$700,000, in the aggregate per annum, and (d) transactions with Unrestricted Subsidiaries in the ordinary course and in accordance with past practices conducted prior to the Closing Date.

7.15 EBITDA. Permit EBITDA for the twelve month period ending on the last day of any Fiscal Quarter to be less than the amounts set forth below opposite that Fiscal Quarter or the period in which that Fiscal Quarter occurs:

| FISCAL QUARTER ENDING<br>-----                                | AMOUNT<br>----- |
|---|-----------------|
| December 31, 1997 and<br>March 31, 1998                       | \$18,000,000    |
| June 30, 1998 through and including<br>September 30, 1999     | \$21,000,000    |
| December 31, 1999 through and including<br>September 30, 2000 | \$24,000,000    |
| December 31, 2000 through and including<br>September 30, 2001 | \$29,000,000    |
| December 31, 2001 and thereafter                              | \$32,000,000;   |

PROVIDED THAT (a) the amount set forth above with respect to each Fiscal Quarter shall be reduced by that portion of EBITDA for the twelve month period immediately preceding the last day of that Fiscal Quarter which is attributable to any Subsidiaries of the Company which are the subject of a Disposition or other sale permitted hereunder, and (b) for the purpose of calculating compliance with this covenant, to the extent that such twelve month period contains any period prior to September 30, 1997, EBITDA shall be calculated as described on Schedule 7.15 to the extent set forth thereon on a pro forma basis for that period.

7.16 INTEREST CHARGE COVERAGE RATIO. As of the last day of any Fiscal Quarter which is a Test Quarter, permit the Interest Charge Coverage Ratio to be less than the ratio set forth opposite the period in which that Fiscal Quarter occurs:

| FISCAL QUARTER ENDING DURING THE PERIOD<br>----- | RATIO<br>----- |
|--|----------------|
|--|----------------|

Closing Date through and  
including September 30, 2000

2.00:1.00

Thereafter

2.25:1.00

7.17 HOLDING COMPANY RESTRICTIONS. Allow or permit any Person owning any interest, directly or indirectly, in any Canadian Subsidiary, to create, incur, assume or suffer to exist any Indebtedness or Contingent Obligation, or to own or hold any asset other than equity interests in a Canadian Subsidiary; PROVIDED that LEP Canada may incur Indebtedness in favor of ILLCAN, Inc. and ILLSCOT, Inc. pursuant to Section 7.12.

#### 7.18 NEW SUBSIDIARIES.

(a) Fail to cause each new Active Subsidiary hereafter formed or acquired by the Company (and any Restricted Subsidiary which hereafter becomes an Active Subsidiary) to execute and deliver when so formed or acquired:

(i) a Drop-Down Note (in the case of a Subsidiary of the Domestic Borrowers);

(ii) a joinder to the appropriate Guaranty (as determined by the Administrative Agent);

(iii) joinders to the related Pledge and Security Agreement, Drop Down Note Pledge and Security Agreement and to the Drop Down Note Subordination Agreement; and

(iv) such financing statements and other instruments, documents and agreements as the Administrative Agent or the Majority Lenders may request in relation thereto.

(b) Fail to deliver or cause to be delivered to the Administrative Agent, in pledge to secure the Obligations:

(i) each Drop-Down Note referred to above, together with the original Drop-Down Note Pledge and Security Agreement executed in relation thereto; and

(ii) 100% of the capital stock and other equity securities of such Active Subsidiaries, except for Foreign Subsidiaries, as to which 66% of such capital stock and other equity securities shall be delivered.

7.19 AMENDMENTS TO SUBORDINATED OBLIGATIONS. Amend or modify any Subordinated Obligations in a manner which is materially adverse to the interests of the Creditors, or in any event enter into any amendment or modification thereto without 30 days prior written notice to the Administrative

ARTICLE VIII  
INFORMATION AND REPORTING REQUIREMENTS

8.1 FINANCIAL AND BUSINESS INFORMATION. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains in force, the Company and, to the extent applicable, each Borrower shall, unless the Administrative Agent (with the approval of the Majority Lenders) otherwise consents, deliver, at the Company's and the Borrowers' sole expense:

(a) to each Lender, as soon as practicable, and in any event within 30 days after the end of each calendar month and within 45 days after the end of each calendar quarter, the consolidated and consolidating balance sheets of the Company and its Subsidiaries, as at the end of such calendar month or quarter, consolidated and consolidating statements of income of the Company and the Borrowers, and consolidated and consolidating cash flow statements for the Company and its Subsidiaries for such calendar month or quarter and for the portion of the Fiscal Year ended with such calendar month or quarter. Such consolidated financial statements shall be in comparative form with such figures for the current budget for both month- and year-to-date and a financial narrative explaining all material variances from the budget. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (other than any requirement for footnote disclosures, supporting schedules and certain other informational disclosures) both in reasonable detail, subject only to normal quarterly and year-end accruals and audit adjustments;

(b) to the Lenders, concurrent with the delivery of the monthly financial statements required to be delivered pursuant to Section 8.1(a) hereof, a certificate of a Senior Officer of the Company and each Borrower stating that the Best Knowledge of such Person (in the case of LEP UK, as to itself only), no Event of Default has occurred and is continuing or, if an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Company and the Borrowers propose to take with respect thereto;

(c) to the Administrative Agent, promptly, such additional financial and other information including, without limitation, financial statements of the Company and its Restricted Subsidiaries and information regarding the Collateral as the Administrative Agent or any of the Lenders may from time to

time reasonably request including, without limitation, such information as is necessary for the Lenders to participate out any of its interests in the Loans hereunder or to enable other financial institutions to



become signatories hereto and statements of income for any or all segments of the Company's and its Restricted Subsidiaries' operations;

(d) to the Administrative Agent, concurrent with the delivery of the monthly financial statements required to be delivered pursuant to Section 8.1(a) hereof, a Receivables aging report as of the last day of such calendar month;

(e) to the Administrative Agent, concurrent with the delivery of the monthly financial statements required to be delivered pursuant to Section 8.1(a) hereof, a written report (i) listing the addresses of all new locations, offices, or places of business opened or closed by the Company or any Restricted Subsidiary, or to which the Company or any Restricted Subsidiary has relocated its headquarters, during that calendar month, and (ii) listing all bank accounts opened or closed by the Company or any Restricted Subsidiary during that calendar month;

(f) to the Administrative Agent, copies of any management reports submitted to the Company or any of its Restricted Subsidiaries by independent accountants in connection with the accounts or books of the Company or any of its Restricted Subsidiaries, or any audit of any of them;

(g) to the Lenders, as soon as practicable, and in any event within 105 days after the end of each Fiscal Year, (i) the audited consolidated balance sheets of the Company and its Subsidiaries as at the end of such Fiscal Year, (ii) audited consolidated statements of income for such Fiscal Year, and (iii) audited consolidated statements of cash flow for such Fiscal Year, all in reasonable detail. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, consistently applied, and such consolidated balance sheet and consolidated statements shall be accompanied by a report and opinion of Deloitte & Touche or other independent public accountants of recognized standing selected by the Company and if other than a "Big Six" public accounting firm, reasonably satisfactory to the Majority Lenders, which report shall be based on an audit conducted in accordance with generally accepted

auditing standards as at such date, and which opinion shall be an unqualified opinion;

(h) to the Lenders, as soon as practicable, and in any event prior to the commencement of each Fiscal Year, a budget by month for that Fiscal Year, INCLUDING, in each case, projected consolidated balance sheets, statements of income and statements of cash flow of the Company and its Subsidiaries, all in reasonable detail;

(i) to the Administrative Agent, promptly after the same are available, copies of each annual report, proxy or financial statement or

other report or communication sent to the shareholders of the Company generally and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934;

(j) to the Administrative Agent, promptly after request therefor, copies of any other specific report or other document that was filed by the Company or any of its Restricted Subsidiaries with any Governmental Agency,

(k) to the Administrative Agent, promptly after request therefor, a copy of the Form 5500 series report of each Pension Plan maintained by the Company or any of its Subsidiaries as filed with the Internal Revenue Service for each Fiscal Year;

(l) to the Administrative Agent, promptly upon a Senior Officer of the Company or any Borrower becoming aware, and in any event within ten Business Days after becoming aware, of the occurrence of any (i) "reportable event" (as such term is defined in Section 4043 of ERISA) (other than a reportable event that is not subject to the provision for 30-day notice to the PBGC) or (ii) "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) or (iii) Termination Event in connection with any Pension Plan or any trust created thereunder, written notice specifying the nature thereof and specifying what action the Company or any of its Subsidiaries is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service or any other Governmental Agency with respect thereto;

(m) to the Administrative Agent, as soon as practicable, and in any event within two Business Days after a Senior Officer of the Company or any Borrower becomes aware of the existence of any condition or event which constitutes a Default, written notice specifying the nature and period of existence thereof and specifying what action the Company or any of its Subsidiaries are taking or propose to take with respect thereto;

(n) to the Administrative Agent, within two Business Days of a Senior Officer of the Company or any Borrower becoming aware that (i) any Person commenced a legal proceeding with respect to a claim against the Company or any of its Restricted Subsidiaries that is \$3,000,000 or more in excess of the amount thereof that is fully covered by insurance (subject to applicable deductibles and retentions), (ii) any creditor or lessor under a written credit agreement with respect to Indebtedness in excess of \$3,000,000 or lease involving unpaid rent in excess of \$1,500,000 has asserted a default thereunder on the part of the Company or any of its Restricted Subsidiaries, (iii) any Person commenced a legal proceeding with respect to a claim against the Company or any of its Restricted Subsidiaries in excess of \$3,000,000 under a contract that is



not a credit agreement or a lease, (iv) any labor union has notified the Company or its Restricted of its intent to strike the Company or any of its Restricted Subsidiaries on a date certain, which strike could reasonably be expected to have a Material Adverse Effect, or (v) any other event or circumstance occurs or exists (other than matters of a general economic nature) that would constitute a Material Adverse Effect, in each case a written notice describing the pertinent facts relating thereto and what action the Company or any of its Subsidiaries are taking or propose to take with respect thereto;

(o) as promptly as practicable, and in any event not later than 10 days following the date upon which the Company becomes aware that any Change of Control Event is reasonably likely to occur, notice thereof and a written description of the manner in which such Change of Control Event is likely to occur; and

(p) such other data and information as from time to time may be reasonably requested by the Administrative Agent.

8.2 COMPLIANCE CERTIFICATES. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains in force, the Company and the Borrowers shall deliver to the Administrative Agent, at the Company's sole expense, concurrently with the financial statements required pursuant to Section 8.1(a) at the end of a Fiscal Quarter in each Fiscal Year, a Compliance Certificate signed by a Senior Officer of the Company and each Borrower.

8.3 BORROWING BASE CERTIFICATES. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitment remains in force, the Borrowers shall deliver periodic Borrowing Base Certificates to the Administrative Agent on a monthly basis, together with a summary accounts receivable aging and other information reasonably requested by the Administrative Agent, not later than the 15th day following the end of each calendar month, at their sole expense. Each Borrowing Base Certificate shall set forth the Domestic Borrowing Bases and the UK Borrowing Base as of the last business day of the preceding calendar month. In the event that the sum of Average Availability for any calendar month is less than \$20,000,000 then, upon the request of the Administrative Agent, Borrower shall thereafter submit weekly Borrowing Base Certificates not later than 10:30 a.m. New York time on the second Business Day of each week, setting forth calculations of the Domestic Borrowing Bases and the UK Borrowing Base as of the close of business on the last Business Day of the immediately preceding week, PROVIDED that Borrowers' obligations to deliver weekly Borrowing Base Certificates as aforesaid shall terminate when the sum of Average Domestic Availability PLUS Average UK Availability again exceeds \$20,000,000 for a full calendar month period.

## ARTICLE IX CONDITIONS

9.1 INITIAL ADVANCES. The effectiveness of the Agreement and the obligations of each Lender hereunder are subject to the following conditions precedent:

(a) The Administrative Agent shall have received all of the following, each of which shall be an original unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(i) executed counterparts of the Agreement, sufficient in number for distribution to the Lenders and the Company;

(ii) Domestic Notes executed by the Domestic Borrowers in favor of each Lender in an amount each to that Lender's Pro Rata Share of the Domestic Commitment;

(iii) the Guaranties executed by the Company and each Active Subsidiary, other than LEP UK;

(iv) with respect to the Company and each Active Subsidiary of the Company, such documentation as the Administrative Agent may reasonably require to establish the due organization, valid existence and good standing thereof, its qualification to engage in business in each jurisdiction in which it is engaged in business or required to be so qualified, its authority to execute, deliver and perform any Loan Documents to which it is a Party, and the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, INCLUDING, without limitation, certified copies of articles of incorporation and amendments thereto, bylaws and amendments thereto, partnership agreements and amendments thereto, certificates of good standing and/or qualification to engage in business, tax clearance certificates, certificates of corporate resolutions, incumbency certificates, Certificates of Responsible Officials, and the like;

(v) the Pledge and Security Agreements executed by the Company and each Active Subsidiary, other than LEP UK, LEP Canada, and LIWDE, together with the original stock certificates evidencing the stock pledged pursuant thereto and undated stock powers duly executed in blank in connection therewith and executed originals of each note pledged pursuant thereto, the delivery of which is required hereunder (each of which has been duly indorsed to the Administrative Agent);

(vi) the Canadian Security Documents executed by LEP Canada;

(vii) Drop-Down Notes executed by each Restricted Subsidiary of the Company;

(viii) the Drop-Down Note Pledge and Security Agreements, executed by each of the Active Subsidiaries, other than the Borrowers and LEP Canada, and the Drop-Down Note Subordination Agreement executed by all parties thereto;

(ix) Uniform Commercial Code or Personal Property Security Act financing statements, registrations or filing copies of any of the Loan Documents, or notices thereof, as applicable, in form and substance acceptable to the Administrative Agent and acceptable for recording with the appropriate Governmental Agency;

(x) the Opinions of Counsel (other than that of Freshfields);

(xi) such documentation with respect to the Concentration Accounts, the Depositary Accounts, the Blocked Accounts and the Lockbox Accounts (other than with respect to the deposit accounts and accounts receivable of LEP UK) existing as of the Closing Date as may reasonably be requested by Administrative Agent;

(xii) a Certificate of a Responsible Official signed by a Senior Officer of the Company and each Domestic Borrower certifying that

the conditions specified in Sections 9.1(c), 9.1(d), 9.1(e) and 9.1(f) of the Agreement have been satisfied;

(xiii) a Certificate of a Responsible Official of the Company and each Domestic Borrower signed by a Senior Officer thereof, certifying as to the Solvency of the Company, the Domestic Borrowers and their Restricted Subsidiaries as of the Closing Date;

(xiv) a completed Borrowing Base Certificate:

(xv) the payment of all fees and expenses of the Administrative Agent required hereby or pursuant to the terms of the Fee Letter; and

(xvi) a Certificate of a Responsible Official, signed by a Senior Officer of the Company, attaching correct copies of each of the LIW Acquisition Documents and the Indenture governing the Senior Notes.

(b) the Prior Agent shall have delivered all of the Pledged Collateral in its possession to the Administrative Agent, and shall have executed all assignments of financing statements, Personal Property Security Act filings and other instruments of assignment with respect to the Liens granted pursuant to the Existing Loan Agreement in favor of the

Administrative Agent as the Administrative Agent shall have requested, PROVIDED that promptly following the Closing Date the Administrative Agent shall execute and deliver termination statements and partial releases of any and all such filings except those which relate to the Pledged Collateral.

(c) As of the Closing Date, the representations and warranties contained in Article V of this Agreement shall be true and correct.

(d) As of the Closing Date, the Company and its Subsidiaries and any other Parties shall be in compliance with all the terms and provisions of the Loan Documents, and no Default or Event of Default shall have occurred and be continuing.

(e) No material adverse change in the property, operations, business prospects, profits or financial condition of (i) the Company and its Subsidiaries since December 31, 1996 or (ii) LIW and its Subsidiaries since December 31, 1996.

(f) The Company shall have received the proceeds of the Senior Notes, and the terms of the instruments, documents and agreements governing the Senior Notes shall be acceptable to the Administrative Agent in its sole discretion.

9.2 CONDITIONS TO AVAILABILITY OF THE UK COMMITMENT. In addition to the conditions set forth in Section 9.1, the obligations of the Creditors to make UK Loans and issue UK Letters of Credit are also subject to the following conditions precedent:

(a) The Administrative Agent shall have received all of the following, each of which shall be an original unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the date of the first extension of credit under the UK Commitment or another date satisfactory to the Administrative Agent and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(i) the UK Note executed by LEP UK in favor of ING UK in the principal amount of \$30,000,000;

(ii) the Participation Agreement executed by each Lender in favor of the Administrative Agent and ING UK;

(iii) the UK Security Documents, together with any instruments, documents and agreements reasonably requested by the Administrative Agent to establish and perfect the Lien of the

Administrative Agent in the Collateral described therein;

(iv) a Certificate of a Responsible Official of LEP UK signed by a Senior Officer thereof, certifying as to the Solvency of LEP UK as of the date of such UK Loans and UK Letters of Credit; and

(v) the Opinion of Freshfields.

(b) LIWDE shall have executed its Pledge and Security Agreement and shall have pledged 66 % of the capital stock of LIW owned by it to the Administrative Agent pursuant to the Pledge and Security Agreement to which LIWDE is a party.

(c) The Lien referred to in Section 7.11(k) and the Indebtedness referred to in Section 7.12(k) shall have been discharged.

9.3 ANY ADVANCE. In addition to any applicable conditions precedent set forth elsewhere in this Article IX, the obligation of each Lender to make any Advance, and the obligation of the Issuing Lender to issue any Letter of Credit, is subject to the following conditions precedent (unless the Majority Lenders, in their sole and absolute discretion, agree otherwise):

(a) except as disclosed by the Company and approved in writing by the Majority Lenders, the representations and warranties contained in Article V (OTHER THAN Sections 5.5(a), 5.5(b), 5.7 (first sentence), 5.8, 5.9, 5.12, 5.14, 5.15 and 5.19) shall be true and correct on and as of the date of the Advance or the issuance of the Letter of Credit as though made on that date;

(b) other than matters described in Schedule 5.11 or not required as of the Closing Date to be therein described, there shall not be then pending or threatened any action, suit, proceeding or investigation against or affecting the Company or any of its Subsidiaries or any Property of any of them before any Governmental Agency that could reasonably be expected to have a Material Adverse Effect;

(c) no Default or Event of Default shall then exist;

(d) the Administrative Agent shall have timely received a Request for Loan in compliance with Article II or, in the appropriate case, a completed Request for Letter of Credit; and

(e) the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, such other

assurances, certificates, documents or consents related to the foregoing as the Administrative Agent reasonably may require.

ARTICLE X  
EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

10.1 EVENTS OF DEFAULT. The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an Event of Default:

(a) The Domestic Borrowers fail to pay any principal on any of the Domestic Notes, or any portion thereof, when due; or

(b) LEP UK fails to pay any principal on the UK Note, or any portion thereof, when due; or

(c) The Domestic Borrowers fail to pay any interest on any of the Domestic Notes or any fee or other amount payable by the Domestic Borrowers to any of the Creditors under any Loan Document within three Business Days after the date when due; or

(d) LEP UK fails to pay any interest on the UK Note or any other amount payable by LEP UK to any of the Creditors within three Business Days after the date when due; or

(e) The Company or any of its Restricted Subsidiaries fails to perform or observe any of the covenants contained in Article VII (other than that contained in Section 7.18) or Section 8.1(p), or

(f) The Company, any of its Restricted Subsidiaries or any other Party fails to perform or observe any other covenant or agreement contained in any Loan Document on its part to be performed or observed within 15 days after the giving of notice by the Administrative Agent at the request of the Majority Lenders of such Default; or

(g) Any representation or warranty made in any Loan Document proves to have been incorrect when made or reaffirmed in any respect that is materially adverse to the interests of the Administrative Agent or the Lenders, or

(h) The Company or any of its Restricted Subsidiaries:

(i) fails to pay the principal, or any principal installment, of any present or future indebtedness for borrowed money of \$5,000,000 or more, or any guaranty of present or future indebtedness for borrowed money of \$5,000,000 or more, on its part to be paid, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise or

(ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event to occur, in connection with any present or future indebtedness for borrowed money of \$5,000,000 or more, or of any guaranty of present or future indebtedness for borrowed money of \$5,000,000 or more, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such indebtedness due before the date on which it otherwise would become due; or

(i) Any event occurs which gives the holder or holders of any Subordinated Obligation in a principal amount which is in excess of \$5,000,000 (or an agent or trustee on its or their behalf) the right to declare such indebtedness due before the date on which it otherwise would become due, or the right to require the issuer thereof to redeem or purchase, or offer to redeem or purchase, all or any portion of any Subordinated Obligation; or

(j) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which, in any such event in the reasonable opinion of the Majority Lenders, is materially adverse to the interests of the Lenders; or any Party thereto denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind same; or

(k) A judgment against the Company or its Restricted Subsidiaries is entered for the payment of money in excess of \$3,000,000 and, absent procurement of a stay of execution, such judgment remains unbonded or

unsatisfied for thirty calendar days after the date of entry of judgment, or in any event later than five days prior to the date of any proposed sale thereunder; or

(l) The Company or any of its Restricted Subsidiaries institutes or consents to any proceeding under a Debtor Relief Law relating to it or to all or any part of its Property, or its board of directors or other



governing body authorizes the making of any arrangement, proposal or commencement of any such proceeding, or files a petition or answer seeking reorganization or arrangement or similar relief under any Debtor Relief Law, or files a proposal or gives notice of its intent to make a proposal under any Debtor Relief Law, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, administrator, monitor, rehabilitator or similar officer for it or for all or any part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of any such Person and is not released, vacated or fully bonded within 30 calendar days after its issue or levy, or

(m) The occurrence of a Termination Event with respect to any Pension Plan if the aggregate tax, penalty or other liability of the Company and its ERISA Affiliates as a result thereof exceeds \$5,000,000; or the complete or partial withdrawal by the Company or any of its ERISA Affiliates from any Multiemployer Plan if the aggregate liability of the Company and its ERISA affiliates as a result thereof exceeds \$5,000,000; or

(n) If any Person commences any proceeding or otherwise does or fails to do any act or thing whereby any Pension Plan may be wound up, terminated or discontinued in whole or in part, or which may give rise to any Lien relating to any Pension Plan; or

(o) Any determination is made by a court of competent jurisdiction that payment of principal or interest or both shall be made to the holder of any Subordinated Obligation which would not be permitted by Section 7.3 or that any Subordinated Obligation is not subordinated in accordance with its terms to the Obligations.

10.2 REMEDIES UPON EVENT OF DEFAULT. Without limiting any other rights or remedies of the Administrative Agent or the Lenders provided for elsewhere in this Agreement, or the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default, other than an Event of Default described in Section 10.1(l) with respect to the Company or any of the Borrowers:

(i) the commitment to make Loans and Advances or issue Letters of Credit and all other obligations of the Creditors and all



rights of the Company, the Borrowers and any other Parties under the Loan Documents shall be suspended without notice to or demand upon the Company or the Borrowers, which are expressly waived by the Company and the Borrowers, EXCEPT that the Majority Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Majority Lenders, to reinstate the Commitments and make further Loans and Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders;

(ii) the Issuing Lender may, with the approval of the Majority Lenders, and the Issuing Lender shall, upon the direction of the Majority Lenders, demand immediate payment (a) by the Domestic Borrowers of an amount equal to the aggregate effective face amount of all outstanding Domestic Letters of Credit, and (b) by LEP UK of an amount equal to the aggregate effective base amount of all outstanding UK Letters of Credit, in each case to be held by the Issuing Lender in an interest bearing cash collateral account as Collateral hereunder; and

(iii) the Majority Lenders may request the Administrative Agent to, and the Administrative Agent thereupon shall, terminate the Commitment and declare all or any part of the unpaid principal of all Notes,

all interest accrued and unpaid thereon and all amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Company and the Borrowers.

(b) Upon the occurrence of any Event of Default described in Section 10.1(1) with respect to the Company or any of the Borrowers:

(i) the commitment to make Loans and Advances or issue Letters of Credit and all other obligations of the Creditors and all rights of the Company and the Borrowers and any other Parties under the Loan Documents shall terminate without notice to or demand upon the Company or the Borrowers, which are expressly waived by the Company and the Borrowers, EXCEPT that all the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to reinstate the Commitments and make further Loans and Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders;

(ii) an amount equal to the aggregate amount of all outstanding Letters of Credit shall be immediately due and payable to the Issuing Lender without notice to or demand upon the Borrowers, and

such amount shall automatically be deemed to have been paid to the Issuing Lender under such Letters of Credit to be held by the Issuing Lender in an interest bearing cash collateral account as Collateral hereunder; and

(iii) the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Company and each Borrower.

(c) Upon the occurrence of any Event of Default, the Administrative Agent shall, upon the direction of the Majority Lenders, without notice to (EXCEPT as expressly provided for in any Loan Document) or demand upon the Company or the Borrowers, which are expressly waived by the Company

and the Borrowers (EXCEPT as to notices expressly provided for in any Loan Document), proceed in accordance with applicable Laws (but only with the consent of the Majority Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents (including the Collateral Documents) against the Company, the Borrowers (but in the case of LEP UK, only as to the obligations under the UK Commitment), the Restricted Subsidiaries and any other Party and such other rights and remedies as are provided by Law or equity. ING UK shall follow the instructions of the Administrative Agent, given in accordance with this Section, with respect to the obligations under the UK Commitment.

(d) The Administrative Agent shall not have the right, in its sole discretion, to determine which rights, Liens or remedies it shall at any time pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of them or any of the Lenders' rights hereunder; and any moneys, deposits, receivables, balances or other property which may come into any Lender's or the Administrative Agent's possession at any time or in any manner, may be retained by such Lender or the Administrative Agent and applied to any of the Obligations as provided under any of the Loan Documents or as provided under applicable law.

(e) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Majority Lenders in their sole discretion, and all payments received by the Administrative Agent and the Lenders, or any of them, shall be applied first to the costs and expenses (including attorneys' fees and disbursements payable pursuant to Section 12.3) of the Administrative Agent, acting as Administrative Agent, of ING UK and of the Lenders, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference

among the Lenders. Notwithstanding the foregoing, the proceeds of any Collateral provided by LEP UK and its Subsidiaries shall be applied solely to the Obligations under the UK Commitment. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder and under the Notes, payments shall be applied first, to the costs and expenses of the Administrative Agent, acting as the Administrative Agent, ING UK, and the Lenders, as set forth above, second, to the payment of accrued and unpaid interest due under any Loan Documents to

and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and third, to the payment of all other amounts (including principal and fees) then owing to the Administrative Agent, ING UK or the Lenders under the Loan Documents. Notwithstanding the foregoing, the proceeds of any Collateral provided by LEP Canada shall be applied FIRST, to the costs and expenses of the Administrative Agent, SECOND, to the principal amount of Obligations then owing to the Administrative Agent, ING UK or the Lenders under the Loan Documents and THIRD, to the payment of accrued and unpaid interest due under any of the Loan Documents and to all other amounts then owing to the Administrative Agent, ING UK and the Lenders under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at law or in equity.

## ARTICLE XI THE ADMINISTRATIVE AGENT

11.1 APPOINTMENT AND AUTHORIZATION. Each Lender hereby irrevocably appoints ING Capital as successor Administrative Agent to the Prior Agent, and authorizes ING Capital, as the Administrative Agent, to take such action as agent on that Lender's behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof or are reasonably incidental thereto, as determined by the Administrative Agent. This appointment and authorization is intended solely for the purpose of facilitating the servicing of the Loans and does not constitute appointment of the Administrative Agent as trustee for any Lender or as representative of any Lender for any other purpose and, EXCEPT as specifically set forth in the Loan Documents to the contrary, the Administrative Agent shall each take such action and exercise such powers only in an administrative and ministerial capacity. The Administrative Agent is a representative of the Lenders only and assumes no agency, trust, fiduciary or other special relationship with any other party hereto, express or implied.

11.2 AGENT AND AFFILIATES. ING Capital (and each successor Administrative Agent has the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent. The term "Lender" or "Lenders" includes ING Capital in its individual capacity. ING Capital (and each successor Administrative Agent) and its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Company, any Subsidiary thereof, or any Affiliate of the Company or any Subsidiary thereof, as if it were not the Administrative Agent, and without any duty to account therefor to the Lenders. No implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

11.3 PROPORTIONATE INTEREST OF THE LENDERS IN ANY COLLATERAL. The Administrative Agent, on behalf of all the Lenders, shall hold in accordance with the Loan Documents all items of any collateral or interests therein received or held by the Administrative Agent. Subject to the Administrative Agent's and the Lenders' rights to reimbursement for their costs and expenses hereunder (INCLUDING attorneys' fees and disbursements and other professional services) and subject to the application of payments

in accordance with Section 10.2(d), each Lender shall have an interest in any collateral or interests therein in the same proportions that the aggregate Obligations owed such Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders.

11.4 LENDERS' CREDIT DECISIONS. Each Lender agrees that it has, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or any other Lender, and instead in reliance upon information supplied to it by or on behalf of the Company and its Subsidiaries and upon such other information as it has deemed appropriate, made its own independent credit analysis and decision to enter into this Agreement. Each Lender also agrees that it shall, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or any other Lender, continue to make its own independent credit analyses and decisions in acting or not acting under the Loan Documents.

#### 11.5 ACTION BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent may assume that no Default has occurred and is continuing, unless the Administrative Agent has received notice from the Company or a Borrower stating the nature of the Default or has received notice from a Lender stating the nature of the Default and that such Lender considers the Default to have occurred and to be continuing.

(b) The Administrative Agent has only those obligations under the Loan Documents as are expressly set forth therein.

(c) Except for any obligation expressly set forth in the Loan Documents and as long as the Administrative Agent may assume that no Event of Default has occurred and is continuing, the Administrative Agent may, but shall not be required to exercise its discretion to act or not act, EXCEPT that the Administrative Agent shall be required to act or not act upon the instructions of the Majority Lenders (or of all the Lenders, to the extent required by Section 12.2) and those instructions shall be binding upon the Administrative Agent and all the Lenders, PROVIDED that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or

would result, in the reasonable judgment of the Administrative Agent in substantial risk of liability to the Administrative Agent.

(d) If the Administrative Agent has received a notice specified in Section 11.5(a), the recipient of such notice shall immediately give notice thereof to the Lenders and shall act or not act upon the instructions of the Majority Lenders (or of all the Lenders, to the extent required by Section 12.2), PROVIDED that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in a substantial risk of liability to the Administrative Agent.

(e) The Administrative Agent shall not have any liability to any Lender for acting, or not acting, as instructed by the Majority Lenders (or all the Lenders, if required under Section 12.2), notwithstanding any other provision hereof.

11.6 LIABILITY OF ADMINISTRATIVE AGENT. Neither the Administrative Agent nor any of its directors, officers, agents, employees or attorneys shall be liable for any action taken or not taken by them under or in connection with the Loan Documents, EXCEPT for their own gross negligence or willful misconduct. Without limitation on the foregoing, the Administrative Agent and its directors, officers, agents, employees and attorneys:

(a) May treat the payee of any Note as the holder thereof until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by the payee, and may treat each Lender as the owner of that Lender's interest in the Obligations for all purposes of this Agreement until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by that Lender.

(b) May consult with legal counsel (INCLUDING internal legal counsel), accountants (INCLUDING internal accountants) and other

professionals or experts selected by it, or with legal counsel, accountants or other professionals or experts for the Company or its Subsidiaries or the Lenders, and shall not be liable

for any action taken or not taken by it in good faith in accordance with any advice of such legal counsel, accountants or other professionals or experts.

(c) Shall not be responsible to any Lender for any statement, warranty or representation made in any of the Loan Documents or in any notice, certificate, report, request or other statement (written or oral) given or made in connection with any of the Loan Documents.

(d) EXCEPT to the extent expressly set forth in the Loan Documents, shall have no duty to ask or inquire as to the performance or observance by the Company or its Subsidiaries of any of the terms, conditions or covenants of any of the Loan Documents or to inspect any collateral or the Property books or records of the Company or its Subsidiaries.

(e) Will not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, effectiveness, sufficiency or value of any Loan Document, any other instrument or writing furnished pursuant thereto or in connection therewith, or any collateral.

(f) Will not incur any liability by acting or not acting in reliance upon any Loan Document, notice, consent, certificate, statement, request or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties.

(g) Will not incur any liability for any arithmetical error in computing any amount paid or payable by the Company or any Subsidiary or Affiliate thereof or paid or payable to or received or receivable from any Lender under any Loan Document, INCLUDING, without limitation, principal, interest, commitment fees, Advances and other amounts; PROVIDED that, promptly upon discovery of such an error in computation, the Administrative Agent, the Co-Agents, the Lenders and (to the extent applicable) the Company or its Subsidiaries or Affiliates shall make such adjustments as are necessary to correct such error and to restore the parties to the position that they would have occupied had the error not occurred.

11.7 INDEMNIFICATION. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify and hold the Administrative Agent and its directors, officers,

agents, employees and attorneys harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature, whatsoever (INCLUDING, without

limitation, attorneys' fees and disbursements) that may be imposed on, incurred by or asserted against it or them in any way relating to or arising out of the Loan Documents (other than losses incurred by reason of the failure of the Borrowers to pay the indebtedness represented by the Notes) or any action taken or not taken by it as Administrative Agent thereunder, EXCEPT such as result from its own gross negligence or willful misconduct. Without limitation on the foregoing, each Lender shall reimburse the Administrative Agent upon demand for that Lender's ratable share of any cost or expense incurred by the Administrative Agent in connection with the negotiation, preparation, execution, delivery, amendment, waiver, restructuring, reorganization (INCLUDING a bankruptcy reorganization), enforcement or attempted enforcement of the Loan Documents, to the extent that the Company or any other Party is required by Section 12.3 to pay that cost or expense but fails to do so upon demand. Nothing in this Section shall entitle the Administrative Agent or the Co-Agents to recover any amount from the Lenders if and to the extent that such amount has theretofore been recovered from the Company or any of its Subsidiaries.

11.8 SUCCESSOR ADMINISTRATIVE AGENT. If the Administrative Agent determines that for it to continue as Administrative Agent would result in a conflict of interest, or would create an unacceptable risk of significant liability of the Administrative Agent or to a third party, or would otherwise be inadvisable under prevailing standards of banking prudence, it may resign as such at any time upon prior written notice to the Company and the Lenders, to be effective upon a successor's acceptance of appointment as Administrative Agent. The Administrative Agent may also resign as such absent such a determination by it with the consent of the Company, which shall not be unreasonably withheld, to be likewise effective.

If the Administrative Agent so resigns,

(a) the Majority Lenders shall appoint a successor Administrative Agent, who must be from among the Lenders and be reasonably acceptable to the Company, PROVIDED that any resigning Administrative Agent shall be entitled to appoint a successor Administrative Agent from among the Lenders, subject to acceptance of appointment by that successor Administrative Agent, if the Majority Lenders have not appointed a successor within 30 days after the date the resigning Administrative Agent gave notice of resignation;

(b) upon a successor's acceptance of appointment as Administrative Agent the successor will thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Administrative Agent;

(c) upon the effectiveness of any resignation, the resigning Administrative Agent thereupon will deliver to the successor Administrative Agent, all Records and all other books and records related to its former role as Administrative Agent; and



(d) upon the delivery of those items specified in Section 11.8(c), the resigning Administrative Agent thereupon will be discharged from its duties and obligations thereafter arising under the Loan Documents other than obligations arising as a result of any action or inaction of the resigning Administrative Agent prior to the effectiveness of such resignation.

11.9 RESIGNATION OF PRIOR AGENT; CONTINUED PROTECTION. Banque Paribas hereby resigns as Administrative Agent under the Existing Loan Agreement, with such resignation to be effective concurrently with the effectiveness of this Agreement and the appointment of ING Capital as successor Administrative Agent. The Prior Agent shall be entitled to the continued protection of Section 11.7 of the Existing Loan Agreement with respect to all actions and omissions of the Prior Agent as Administrative Agent under the Existing Loan Agreement.

11.10 ING UK. In order to facilitate the making of UK Loans, the Administrative Agent and each Lender hereby designate ING UK as their representative and agent for the making of UK Loans, and severally agree to participate in each UK Loan in accordance with the terms of the Participation Agreement. ING UK's appointment is intended to be administrative and ministerial in nature, and (in its capacity as lender under the UK Commitment), ING UK shall be treated as the agent and representative of the Administrative Agent and shall be entitled to the indemnifications and other protections afforded hereby to the Administrative Agent, MUTATIS MUTANDIS.

11.11 NO OBLIGATIONS OF THE COMPANY OR BORROWERS. Nothing contained in this Article XI shall be deemed to impose upon the Company or the Borrowers any obligation with respect to the due and punctual performance by the Administrative Agent

of its obligations to the Lenders under any provision of this Agreement and the Company and the Borrowers shall have no liability to the Administrative Agent or any of the Lenders with respect to any failure by the Administrative Agent or any Lender to perform any of its obligations to the Administrative Agent or the Lenders under this Agreement. Without limiting the generality of the foregoing, where any provision of this Agreement relating to the payment of any amounts due and owing under the Loan Documents provides that such payments shall be made by the Company or any of the Borrowers to the Administrative Agent or ING UK for the account of the Lenders, the Company's and the Borrowers' respective obligations to the Lenders with respect to such payments shall be deemed to be satisfied upon the making of such payments to the Administrative Agent or ING UK in the manner provided by this Agreement.

## ARTICLE XII MISCELLANEOUS



12.1 CUMULATIVE REMEDIES: NO WAIVER. The rights, powers, privileges and remedies of the Administrative Agent, ING UK and the Lenders provided herein or in any Note or other Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of the Administrative Agent, ING UK or any Lender in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article XI (other than Section 11.8 and 11.9) hereof are inserted for the sole benefit of the Administrative Agent, ING UK and the Lenders; the same may be waived in whole or in part, with or without terms or conditions, with respect to any Loan without prejudicing the Administrative Agent's, ING UK's or the Lenders' rights to assert them in whole or in part with respect to any other Loan.

12.2 AMENDMENT: CONSENTS. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by the Company, the Borrowers or any other Party therefrom, may in any event be effective unless in writing signed by the Administrative Agent with the approval in writing of the Majority Lenders (and, in the case of amendments, modifications or supplements of or to any Loan Document to which the Company or any of its Restricted Subsidiaries is a Party, the approval in writing of that Party), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To amend or modify the principal of, or the amount of principal, principal prepayments or the rate of interest payable on, any Note, or, except as provided herein, the amount of the Commitments or of any commitment fee payable to any Lender or any other fee payable to any Lender under the Loan Documents;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Note or any

installment of any commitment fee, or to extend the Maturity Date, or to release any Collateral (except as specifically provided for in any Loan Document);

(c) To amend or modify the provisions of (but not to grant a waiver under) the definition of "Majority Lenders"; ARTICLES X OR XI; or this Section; or

(d) To amend or modify any provision of this Agreement that expressly requires the consent or approval of all the Lenders.

Any amendment, modification, supplement, termination, waiver or

consent pursuant to this Section shall apply equally to, and shall be binding upon, all the Lenders, ING UK and the Administrative Agent. No amendment, modification, supplement, termination, waiver or consent which has a negative effect upon, or increases the obligations or liabilities of, ING UK or the Administrative Agent, may be effective without the consent of ING UK or the Administrative Agent.

12.3 COSTS, EXPENSES AND TAXES. The Company and each Borrower shall each pay on demand the reasonable costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery of the Loan Documents, and of the Administrative Agent, ING UK and the Lenders in connection with the amendment, waiver, refinancing, restructuring, reorganization (INCLUDING a bankruptcy proposal, plan of arrangement or reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto, INCLUDING, without limitation, filing fees, recording fees, title insurance fees, appraisal fees, search fees and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of any legal counsel, independent public accountants and other outside experts retained by the Administrative Agent and ING UK and INCLUDING, without limitation, any costs, expenses or fees incurred or suffered by the Administrative Agent, ING UK or any Lender in connection with or during the course of any bankruptcy or insolvency proceedings or proceedings under any Debtor Relief Law of the Company, or any Subsidiary of the Company; PROVIDED that the Administrative Agent, ING UK and the Lenders shall, in connection with any such amendment, waiver, refinancing, restructuring, reorganization, enforcement or attempted enforcement of the Loan Documents be entitled to the services of only one firm of independent public accountants and shall use their best efforts to avoid duplicative efforts by legal counsel on behalf of Administrative Agent, and one or more Lenders. Without limitation on the foregoing, the

Company and each Borrower shall pay on demand the reasonable costs and expenses of the Administrative Agent in connection with semi-annual audits of the business of the Company and its Restricted Subsidiaries and the Collateral, PROVIDED THAT the cost associated with each individual auditor engaged in any such audit shall not exceed \$350 per day. The Company and each Borrower each shall pay any and all documentary and other taxes (other than income or gross receipts taxes generally applicable to banks) and all costs, expenses, fees and charges payable or determined to be payable in connection with the filing or recording of this Agreement, any other Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify the Creditors from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any tax, cost, expense, fee or charge or that any of them may suffer or incur by reason of the failure of any Party to perform any of its Obligations. Any amount payable to the Administrative Agent, ING UK or any Lender under this Section shall bear interest at the Default Rate from the thirtieth day after a demand for payment. Notwithstanding any provision of this Section to the contrary, the obligations of LEP UK under this Section shall not extend to any

costs or expenses, taxes, fees or charges payable with respect to or relating to the Domestic Commitment and which do not relate to the UK Commitment.

12.4 NATURE OF LENDERS' OBLIGATIONS. The obligations of the Lenders hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Administrative Agent, ING UK or the Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make the Lenders a partnership, an association, a joint venture or other entity, either among themselves or with the Company or any Affiliate of the Company. Each Lender's obligation to make any Advance pursuant hereto is several and not joint or joint and several. A default by any Lender will not increase the percentage of the Commitments attributable to any other Lender.

12.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, will survive the making of the Loans hereunder and the execution and delivery of the Notes, and have been or will be relied upon by the Administrative Agent and each Lender, notwithstanding any investigation made by the Administrative Agent or any Lender or on their behalf.

12.6 NOTICES. EXCEPT as otherwise expressly provided in the Loan Documents:

(a) All notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document must be in writing and must be telecopied (followed within 48 hours by an original of such notice, request, demand, direction or other communication delivered in via one of the other methods specified in this Section, hand-delivered or sent by reputable overnight carrier for next-day delivery, addressed to the appropriate party at the address set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, at any other address as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section.

(b) Except as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or other communication required or permitted by any Loan Document is given by telecopier, when sent, or if given by personal delivery, when delivered, or if given by reputable overnight carrier for next-day delivery, on the next Business Day following the date of delivery to such carrier.

12.7 EXECUTION OF LOAN DOCUMENTS. Unless the Administrative Agent otherwise specifies with respect to any Loan Document and except as specifically provided in any other Loan Document, this Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be

deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be when taken together will be deemed to be but one and the same instrument. The execution of this Agreement or any other Loan Document (except as specifically provided in such other Loan Document) by any party hereto or thereto will no become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

#### 12.8 BINDING EFFECT; ASSIGNMENT.

(a) This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company, the Borrowers, the Administrative Agent, each of the Lenders, and their respective successors and assigns, EXCEPT that the Company, the Borrowers and their respective Affiliates may not assign their rights hereunder or thereunder or any interest herein or therein without the prior written consent of all the Lenders. Each Lender shall have the right to sell or transfer any participation interest in this Agreement, its Notes and its Pro Rata Share in accordance with the provisions of this Section. Each Lender represents that it is not acquiring its Note with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (subject to any requirement that disposition of its Notes must be within the control of such Lender).

(b) Any Lender may assign all or any portion of its Pro Rata Share to a bank or other financial institution reasonably acceptable to the Administrative Agent and the Borrowers; PROVIDED that

(i) such assignment shall be evidenced by a Commitment Assignment and Acceptance;

(ii) such assignment (except to an assignee which is then a Lender) shall be in a minimum amount of \$10,000,000 and in integral multiples of \$1,000,000 thereafter, and shall be in a proportionate share of both Commitments;

(iii) such assignee has a minimum net worth of \$200,000,000;

(iv) the Administrative Agent consents to such assignment and has received the payment of an assignment fee from such assignee (for its sole account) of \$3500; and

(v) unless an Event of Default has occurred and remains continuing, the Company consents to such assignment (such consent not to be unreasonably withheld).

Upon the execution and delivery of the Commitment Assignment and Acceptance, each assignee financial institution named therein shall be a Lender for all purposes of this Agreement, with the respective Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its Obligations under this Agreement. Each Borrower agrees that it shall execute and deliver (against delivery by the assigning Lender to the Borrowers of its Notes) to each such assignee financial institution Note evidencing that assignee's Pro Rata Share of the Commitments and to the assigning Lender, Notes evidencing the remaining such Pro Rata Share retained by the assigning Lender. Upon request by any such assignee financial institution, the Company shall also provide to that assignee financial institution such original or conformed copies of documents described in Section 9.1(a) as may be requested by that assignee financial institution, and shall execute and deliver such instruments, documents and confirmations, including for the purposes of protecting and preserving in favor of such assignee, any of the Liens of the Administrative Agent and Lenders as may be requested.

(c) In the event that the Administrative Agent elects to assign any portion of its Pro Rata Share which results in its Pro Rata Share being less than \$15,000,000 after giving effect to such assignment, it will use its best reasonable efforts to assign its remaining Pro Rata Share within a reasonable period of time. Upon the assignment of all of its Pro Rata Share, the Administrative Agent will resign as Administrative Agent.

(d) By executing and delivering a Commitment Assignment and Acceptance, the assignee financial institution thereunder acknowledges and agrees that:

(i) other than the representation and warranty that it is the legal and beneficial owner of the Pro Rata Share being assigned thereby free and clear of an adverse claim, the assigning Lender has made no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other Loan Document;

(ii) the assigning Lender has made no representation or warranty and assumes no responsibility with respect to the financial condition of the Company and its Restricted Subsidiaries or the performance by the Company or the Borrowers of the Obligations;

(iii) it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to this Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Commitment Assignment and Acceptance;

(iv) it will, independently and without reliance upon the Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) it appoints and authorizes the Administrative Agent to take such action and to exercise such powers under this Agreement as are delegated to the Administrative Agent by Article XI; and

(vi) it will perform in accordance with their terms all of the Obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(e) The Administrative Agent shall maintain at the Administrative Agent's Office a copy of each Commitment Assignment and Acceptance delivered to it and a register for recordation of the names and addresses of the Lenders and their respective Pro Rata Shares. The entries in such register shall be conclusive, in the absence of manifest error, and the Company, the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the register as a Lender hereunder for all purposes of this Agreement. Promptly following any entry in the register, the Administrative Agent shall provide to the Company, the Borrowers and the Lenders a revised listing of each Lender's Pro Rata Share giving effect thereto.

(f) Each Lender may from time to time without the consent of the Company, the Borrowers or the Administrative Agent grant participations to one

or more banks or other financial institutions in a portion of its Pro Rata Share; PROVIDED, HOWEVER, that

(i) such Lender's obligations under this Agreement and each of the other Loan Documents shall remain unchanged,

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,

(iii) the Company, the Borrowers, and the Creditors shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and

(iv) the consent of the holder of such participation interest shall not be required for amendments of waivers of provisions of the Loan Documents other than those that

(A) increase the monetary amount of the Commitments

such that the participation interest would also increase,

(B) extend any maturity date or any other date upon which any payment of money is due to the Lenders,

(C) reduce the rate of interest on the Notes, any fee or any other monetary amount payable to the Lenders in which such participant has a participating interest or

(D) release all or substantially all of the Collateral, except as otherwise permitted under the Loan Documents.

(v) such participation interest shall be in a minimum amount of \$5,000,000.

(g) Each Lender which hereafter becomes a party to this Agreement by means of the execution of a Commitment Assignment and Acceptance acknowledges receipt of a copy of the Participation Agreement, shall

be deemed to have become a party to the Participation Agreement by means of its Commitment Assignment and Acceptance, and shall be deemed to have a risk participation in the UK Loans and the UK Letters of Credit in accordance with its Pro Rata Share in accordance therewith.

12.9 LIEN ON DEPOSITS AND PROPERTY IN POSSESSION OF ANY LENDER. As security for the prompt payment and performance of all Obligations, each Borrower hereby grants to the Administrative Agent, ING UK and the Lenders and each of them a Lien on and a security interest in all its right, title, and interest in and to any and all deposit accounts now or hereafter maintained with the Administrative Agent, ING UK or any Lender and in and to any and all of its Property and the proceeds thereof now or hereafter in the possession of the Administrative Agent, ING UK or any Lender. The preceding sentence shall not be construed as a grant of a Lien by LEP UK to secure any portion of the Domestic Commitment. If an Event of Default has occurred and is continuing and has resulted in the taking of the actions contemplated in Section 10.2(a)(iii) or 10.2(b), the Administrative Agent, ING UK or any Lender (but only with the consent of the Majority Lenders) may, to the extent permitted by applicable Laws, exercise its rights under Article 9 of the Uniform Commercial Code and other applicable Laws and apply any funds in any deposit account maintained with it by Borrower and any Property of the Borrower in its possession against the Obligations.

12.10 SHARING OF SETOFFS. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against the Borrower, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then:



(a) The Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed, prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any

payment obtained with respect to the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; PROVIDED that, if all or any portion of a disproportionate payment obtained, as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by the Borrowers or any Person claiming through or succeeding to the rights of the Borrowers the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

12.11 INDEMNITY. The Company and each Borrower agrees to indemnify, save and hold harmless each Creditor and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively, the "INDEMNITEES") from and against:

(a) Any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than another Creditor) if the claim, demand, action or cause of action directly or indirectly relates to a claim, demand, action or cause of action that such Person asserts or may assert against the Company, the Borrowers, any Affiliate thereof or any officer, director or shareholder of the Company, the Borrowers or their Affiliates;

(b) Any and all claims, demands, actions or causes of action if the claim, demand, action or cause of action arises out of or relates to the Commitments, the use or contemplated use of proceeds of any Loan or



Letter of Credit, or the relationship of the Company, the Borrowers and the Lenders under this Agreement;

(c) Any and all claims, demands, actions or causes of action if the claim, demand, action or cause of action arises out of or relates to any failure of

the Company or any of its Subsidiaries to comply with any tax Law, including without limitation, any failure to pay or remit any withholding taxes;

(d) Any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clauses (a), (b) or (c) above; and

(e) Any and all liabilities, losses, costs or expenses (INCLUDING reasonable attorneys' fees and disbursements and other professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action;

PROVIDED that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct. If any claim, demand, action or cause of action is asserted against any Indemnitee, such Indemnitee shall promptly notify the Borrowers, but the failure to so promptly notify the Borrowers shall not affect the Borrowers' obligations under this Section unless such failure materially prejudices the Borrowers' right to participate in the contest of such claim, demand, action or cause of action, as hereinafter provided. Each Indemnitee may, and if requested by the Borrowers in writing shall, in good faith contest the validity, applicability and amount of such claim, demand, action or cause of action with counsel selected by such Indemnitee and reasonably acceptable to the Borrowers, and shall permit the Borrowers to participate in such contest. Any Indemnitee that proposes to settle or compromise any claim or proceeding for which the Borrowers may be liable for payment of indemnity hereunder shall give the Borrowers written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrowers' prior consent, which consent shall not unreasonably be withheld. In connection with any claim, demand, action or cause of action covered by this Section against more than one Indemnitee, all such Indemnities shall be represented by the same legal counsel selected by the Indemnities and reasonably acceptable to the Borrowers; PROVIDED, that if such legal counsel determines in good faith that representing all such Indemnities would or could result in a conflict of interest under Laws or ethical principles applicable to such legal counsel or that a defense or counterclaim is available to an Indemnitee that is not available to all such Indemnities, then to the extent reasonably necessary to avoid such a conflict of interest or to permit unqualified assertion of such a defense or counterclaim, each Indemnitee shall be entitled to separate representation by legal counsel selected by that Indemnitee and reasonably

acceptable to the Borrowers.

Any obligation or liability of the Company and the Borrowers to any Indemnitee under this Section shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders; PROVIDED, however, that such obligations or liabilities shall not, from and after the date on which the Notes are fully paid and the Commitments terminated, be deemed Obligations for any purpose under the Loan Documents.

12.12 NONLIABILITY OF THE LENDERS. The Company and each Borrower acknowledges and agrees that:

(a) Any inspections of any Property of the Company and its Subsidiaries made by or through the Administrative Agent or the Lenders are for purposes of administration of the Loan Documents only and the Company and its Subsidiaries are not entitled to rely upon the same;

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Lenders pursuant to the Loan Documents, neither the Administrative Agent nor the Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Lenders;

(c) The relationship between the Company, Borrowers and the Creditors is, and shall at all times remain, solely that of borrowers and lenders; and no Creditor shall under any circumstances be construed to be partners or joint venturers of the Company or its Affiliates; no Creditor shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with the Company or its Affiliates, or to owe any fiduciary duty to the Company or its Affiliates; no Creditor undertakes or assumes any responsibility or duty to the Company or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform the Company or its Affiliates of any matter in connection with their Property or the operations of the Company or its Affiliates; the Company and its Affiliates shall rely entirely upon their own judgment with respect to such matters and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent, ING UK or the Lenders in connection with such matters is solely for the

protection of the Administrative Agent and the Lenders and neither the Company nor any other Person is entitled to rely thereon; and

(d) No Creditor shall be responsible or liable to any Person for

any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property or other loss, damage, liability or claim caused by the actions, inaction or negligence of the Company and its Affiliates and each Borrower hereby indemnities and holds each Creditor harmless from any such loss, damage, liability or claim.

12.13 NO THIRD PARTIES BENEFITED. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of the Company, the Borrowers and the Creditors in connection with the Obligations, and is made for the sole benefit of the Company, the Borrowers and the Creditors and the Creditors' respective successors and assigns. EXCEPT as provided in Sections 12.8 and 12.11, no other person shall have any rights of any nature hereunder or by reason hereof.

12.14 CONFIDENTIALITY. Each Creditor agrees to hold any confidential information that it may receive from the Company and its Restricted Subsidiaries pursuant to this Agreement in confidence, EXCEPT for disclosure;

(a) to other Creditors;

(b) to legal counsel, accountants and other professional advisors to the Company and its Subsidiaries or any Creditor;

(c) to regulatory officials having jurisdiction over the Creditors;

(d) as required by Law or legal process (PROVIDED that in the event any Creditor is so required to disclose any such confidential information, that Creditor shall endeavor promptly to notify the Borrowers, so that the Borrowers may seek a protective order or other appropriate remedy) or in connection with any legal proceeding to which any Creditor or the Borrowers are adverse parties;

(e) to another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that

Creditor's interests hereunder or a participation interest in its Notes, provided that such disclosure is made subject to an appropriate confidentiality agreement on terms substantially similar to this Section and

(f) to prospective purchasers of any Collateral (OTHER than competitors of the Company or its Subsidiaries unless all the Indebtedness evidenced by the Notes is then due and payable) in connection with any disposition thereof, PROVIDED that such disclosure is made subject to an appropriate confidentiality agreement on terms substantially similar to this Section.

For purposes of the foregoing, "confidential information" shall mean all information respecting the Company or its Subsidiaries, OTHER THAN

(g) information previously filed with any Governmental Agency and available to the public,

(h) information previously published in any public medium from a source other than, directly or indirectly, that Creditor and

(i) information previously disclosed by the Company or any of its Subsidiaries to any Person not associated with the Company without a written confidentiality agreement.

Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of any Creditor to the Company or its Subsidiaries.

12.15 HAZARDOUS MATERIALS INDEMNITY. The Company and each Borrower hereby agrees to indemnify, hold harmless and defend (by counsel reasonably satisfactory to the Administrative Agent) each of the Creditors and their respective directors, officers, employees, agents, successors and assigns from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including but not limited to reasonable attorneys' fees and expenses to the extent that the defense of any such action has not been assumed by the Company and the Borrowers), arising directly or indirectly, in whole or in part, out of the presence on or under any owned or leased real property of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on,

under or from any real property owned or leased by the Company or any of its Restricted Subsidiaries and any activity carried on OR undertaken on or off such owned or leased real property by the Company or any of its Subsidiaries or any of their respective predecessors in title, whether prior to or during the term of this Agreement, and whether-by the Company, its Restricted Subsidiaries or any predecessor in title or any employees, agents, contractors or subcontractors of the Company, its Restricted Subsidiaries or any predecessor in title, or any third persons at any time occupying or present on any owned or leased real property, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials. The foregoing indemnity shall further apply to any residual contamination on or under such owned or leased real property, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable Laws, but the foregoing indemnity shall not apply to Hazardous Materials on such real property, the presence of which is caused by any Creditor (or their respective agents,

employees, or consultants) or activities (other than environmental assessment or response actions) carried on or undertaken by any Creditor, in each case subsequent to their entry into such owned or leased real property pursuant to an exercise of remedies hereunder. The Company and each Borrower hereby acknowledges and agrees that, notwithstanding any other provision of this Agreement or any of the other Loan Documents to the contrary, the obligations of the Company and the Borrowers under this Section shall be unlimited personal corporate obligations of the Company and the Borrowers and shall not be secured by any deed of trust or mortgage on such real property. The Company and each Borrower acknowledges that the Lenders' appraisal of such real property is such that the Lenders are not willing to accept the consequences of inclusion of the Obligations under this Section among the Obligations secured by any deed of trust or mortgage and that the Lenders would not enter into this Agreement and the transactions contemplated hereby but for the personal corporate liability undertaken by the Company and the Borrowers for such Obligations. The Company and each Borrower acknowledges and agrees, for purposes of this Section 12.15, that the phrase "owned or leased real property" includes, without limitation, any real property which is considered to, be in its or any Subsidiary's charge, management or control or otherwise for which the Company or any of its Subsidiaries may be liable or responsible under any Hazardous Materials Law.

12.16 FURTHER ASSURANCES. The Company and its Subsidiaries shall, at their expense and without expense to the Creditors, do, execute and deliver such further acts and documents as any Creditor from time to time reasonably requires for the assuring and confirming unto the Creditors of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

12.17 INTEGRATION. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; PROVIDED that the inclusion of supplemental rights or remedies in favor of the Creditors in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint, participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

12.18 GOVERNING LAW. EXCEPT TO THE EXTENT OTHERWISE EXPRESSLY PROVIDED THEREIN, EACH LOAN DOCUMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

12.19 SEVERABILITY OF PROVISIONS. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative,

unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

12.20 INDEPENDENT REPRESENTATIONS, WARRANTIES, AND COVENANTS. Each representation, warranty, and covenant in ARTICLES V, VI, VII and VIII is independent of the other representations, warranties, and covenants in those Articles; the breach of any such representation, warranty, or covenant shall not be excused by the fact that the circumstances underlying such breach would be permitted by another such representation, warranty or covenant.

12.21 HEADINGS. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

12.22 TIME OF THE ESSENCE. Time is of the essence in the Loan Documents.

12.23 SUBMISSION TO JURISDICTION. Any legal action or proceeding with respect to this Agreement or any other Loan Document and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, each Borrower hereby accepts for itself and with respect to its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. The Company and each Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to that Person at its address set forth opposite its signature below. The Company and each Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Creditors or any other Person to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company or any Borrowers in any other jurisdiction.

12.24 PURPORTED ORAL AMENDMENTS. THE COMPANY, EACH BORROWER AND THE CREDITORS EXPRESSLY ACKNOWLEDGES THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 12.2. EACH BORROWER AND EACH CREDITOR AGREES THAT THEY WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE COMPANY, THE BORROWERS OR ANY CREDITOR THAT DOES NOT



COMPLY WITH SECTION 12.2 TO EFFECT AN AMENDMENT,

MODIFICATION, WAIVER OR SUPPLEMENT TO THE AGREEMENT OF THE OTHER LOAN DOCUMENTS.

12.25 REPLACEMENT OF A LENDER. Each Lender agrees that if requested by the Borrowers, it will assign its Pro Rata Share to a willing lender designated by the Borrowers, and reasonably acceptable to the Administrative Agent, if, within 90 days of such request, that Lender has claimed material compensation pursuant to Section 3.5 (but only if the impositions referred to therein are not imposed generally on commercial banks) or if, within 90 days of such request, the Borrowers have become obligated for any material amount with respect to that Lender pursuant to Section 3.8(d) or such Lender is unable to make or maintain Eurodollar Loans.

12.26 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY TRIAL COURT WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

12.27 JUDGEMENT CURRENCY. If, for the purposes of obtaining judgement in any court or obtaining an order enforcing a judgement, it becomes necessary to convert any amount due under this Agreement in Dollars or in any other currency (hereinafter referred to in this Section as the "First Currency") into any other currency (hereinafter referred to in this Section as the "Second Currency"), then the conversion shall be made at the Administrative Agent's spot rate of exchange for buying the First Currency with the Second Currency prevailing at the Administrative Agent's close of business on the Business Day next preceding the day on which the judgement is given or (as the case may be) the order is made. In the event that there is a difference between the rate of exchange

on the basis of which the amount of such judgement order is determined and the rate of exchange prevailing on the date of payment, then the rate of exchange prevailing on the date of payment shall govern the amount owing hereunder, and each Borrower hereby agrees to pay such additional amount as may be necessary to ensure that the amount paid on such date in the Second Currency is the amount in said such Second Currency which, when converted at the Administrative Agent's spot rate of exchange for buying the First Currency with the Second Currency prevailing at the Administrative Agent's opening of business on the date of payment, as the amount which was due under this Agreement in the First Currency before such judgement was obtained or made. Any amount due from the Borrowers

to the Lenders under the second sentence of this Section will be due as separate debt of the Company to the Lenders and shall not be affected by judgement or order being obtained for any other sum due under or in respect of this Agreement. The covenant contained in this Section shall survive the payment in full of all of the other Obligations.

12.28 JOINT AND SEVERAL NATURE OF THE DOMESTIC OBLIGATIONS - SEVERAL NATURE OF THE UK OBLIGATIONS. (a) Notwithstanding the making of any Loan or the provision of any Letter of Credit for the account of any Domestic Borrower, each Domestic Borrower acknowledges and agrees that the Obligations of the Domestic Borrowers for each Loan and Letter of Credit under the Domestic Commitment are joint and several. Each Domestic Borrower shall be fully liable for any and all Loans made and Letters of Credit issued to the other Domestic Borrowers as a primary obligor, and not merely as a surety.

(b) Notwithstanding any other provision of the Loan Documents to the contrary, the Obligations of LEP UK are limited to the repayment, in full and in cash, of the Obligations under the UK Commitment, and LEP UK shall have no obligation with respect to or liability for, any Obligation, whether for principal, interest, commitment fees, other fees, expenses or otherwise, to the extent that the same arises under the Domestic Commitment. The provision of the Domestic Commitment and the UK

Commitment in a single Loan Agreement is for the convenience of the parties only, and shall not infer that the obligations of LEP UK (as borrower under the UK Commitment) on the one hand, and the Domestic Borrowers (as joint and several borrowers under the Domestic Commitment) on the other hand, are joint and several as to the two Commitments.

(c) In furtherance of the provisions of this Section, each of the Company and each of the Domestic Borrowers agrees to the Joint Borrower Provisions attached hereto as Exhibit H and incorporated herein by this reference.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER:

INTERNATIONAL LOGISTICS LIMITED

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Treasurer

Address:

330 S. Mannheim Road  
Hillside, IL 60162



Telecopy: \_\_\_\_\_  
Telephone: \_\_\_\_\_

THE BEKINS COMPANY

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

330 S. Mannheim Road  
Hillside, IL 60162

Telecopy: \_\_\_\_\_  
Telephone: \_\_\_\_\_

MATRIX INTERNATIONAL LOGISTICS, INC.

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

200 Connecticut Avenue  
Norwalk, Connecticut 06859

Telecopy: \_\_\_\_\_  
Telephone: \_\_\_\_\_

ILLCAN, INC.

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

330 S. Mannheim Road  
Hillside, IL 60162

Telecopy: \_\_\_\_\_  
Telephone: \_\_\_\_\_

ILLSCOT, INC.

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

330 S. Mannheim Road

Hillside, IL 60162

Telecopy: \_\_\_\_\_

Telephone: \_\_\_\_\_

LEP PROFIT INTERNATIONAL, INC.

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

1950 Spectrum Circle

Marietta, Georgia 30067

Telecopy: \_\_\_\_\_

Telephone: \_\_\_\_\_

LEP INTERNATIONAL LIMITED

By: /s/ TERRY CLARKE

-----  
Terry Clarke, Assistant Treasurer

Address:

\_\_\_\_\_

\_\_\_\_\_

Telecopy: \_\_\_\_\_

Telephone: \_\_\_\_\_

LENDERS:

ING (U.S.) CAPITAL CORPORATION,  
individually and as Administrative Agent

By: /s/ MICHAEL W. ADLER

-----  
Michael W. Adler, Senior Vice President

Address: 333 South Grand Avenue, Suite 4200

Los Angeles, California 90071

Attn.: Michael W. Adler

Senior Vice President

Telecopy: (213) 346-3991

Telephone: (213) 346-3900

ING BANK, N.V. (London Branch),  
as primary lender under the UK Commitment  
but not as a "Lender"

By: \_\_\_\_\_  
Richard Kirby, Director - Banking

By: \_\_\_\_\_  
N.J. Marchant  
Manager, Lending Risk Management

Address for notices:  
James W. Rowe  
Manager UK Corporate and Relationship Banking  
ING - Barings  
60 London Wall  
London, ENGLAND EC2M 5TQ  
Telephone: 011-44171-767-5932  
Telecopier: 011-44171-767-7323

## SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT") is made and entered into as of November 7, 1996, by and between International Logistics Limited, a Delaware corporation (the "COMPANY"), and each of the Investors listed on EXHIBIT A hereto (singularly an "INVESTOR" and collectively, the "INVESTORS").

In consideration of the agreements and mutual covenants set forth herein, the parties hereby agree as follows:

SECTION 1. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings, and capitalized terms not otherwise defined herein have the meanings assigned to them in that certain Stockholders Agreement dated as of even date herewith, among the Company and the Investors, as the same may be modified or amended from time to time:

"AFFILIATE" of a Holder means any Person which directly or indirectly controls, is controlled by, or is under common control with such Holder. "Control," "controlled by" and "under common control with" means direct or indirect possession of the power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); PROVIDED that control shall be conclusively presumed when any Person or entity or affiliated group directly or indirectly owns ten percent (10%) or more of the securities having ordinary voting power for the election of a majority of the directors of a corporation.

"AGREEMENT" shall have the meaning assigned to such term in the introductory paragraph hereof.

"CLOSING DATE" means November 7, 1996.

"COMMISSION" means the Securities and Exchange Commission, or any other federal agency then administering the Securities Act and the Exchange Act.

"COMMON STOCK" means the common stock, \$.001 par value per share, of the Company.

"COMPANY" shall have the meaning assigned to such term in the introductory paragraph hereof.

"CONTROLLING PERSON" shall have the meaning assigned to such term in SECTION 9.

"CUTBACK" shall have the meaning assigned to such term in SECTION 3(C) (II) .

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

"FAMILY MEMBER" means any Holder's spouse, siblings, children, children's spouses, grandchildren or their spouses or any trusts for the benefit of any of the foregoing.

"HOLDER" means any Investor who holds any shares of Common Stock entitled to registration rights hereunder.

"ING" means Internationale Nederlanden (U.S.) Capital Corporation.

"ING HOLDERS" shall mean the Holders of the ING Shares.

"ING SHARES" means all the Common Stock now and hereafter held by ING.

"INDEMNIFIED PARTY" shall have the meaning assigned to such term in SECTION 9.

"INDEMNIFYING PARTY" shall have the meaning assigned to such term in SECTION 9.

"INITIAL PUBLIC OFFERING" means the first underwritten public offering of Common Stock by the Company pursuant to a registration of shares under the Securities Act on a Form S-1 Registration Statement (or equivalent or successor form) .

"LOSSES" means all losses, claims, damages or liabilities (other than consequential damages or incidental lost profits) and reasonable costs and expenses related thereto.

"MYERS" shall mean William E. Myers, Jr. and any Myers Affiliate.

"MYERS AFFILIATE" shall mean any (i) bona fide officer, director, shareholder or employee of W.E. Myers & Company reasonably acceptable to the Company, (ii) Family Member of any of the foregoing individuals and (iii) partnership, corporation, trust or other entity controlled by William E. Myers, Jr.

"MYERS SHARES" means all the Common Stock now and hereafter held by Myers; PROVIDED, HOWEVER, that all Warrants convertible or exercisable into shares of Common Stock pursuant to the Warrants held by Myers shall constitute "WES&S Shares" so

long as Myers exercises such warrants prior to the date when the Commission declares effective any registration statement pursuant to a Public Offering under which such shares are registered.

"OCM" means OCM Principal Opportunities Fund, L.P., a Delaware limited partnership.

"OCM SHARES" means all the Common Stock now and hereafter held by OCM and any OCM Affiliate.

"OCM HOLDERS" shall mean the Holders of the (a) OCM Shares and (b) TCW Shares. Upon the occurrence of any Cutback (as defined in Section 3(c)(ii) below) hereunder with respect to the OCM Shares, such Cutback shall be allocated to the TCW Shares in the same percentage Cutback as applied to the OCM Shares pursuant to the applicable offering.

"OCM AFFILIATE" means any investor in or any employee of OCM, TCW Asset Management Company, a California corporation ("TAMCO"), Trust Company of the West, a California trust company ("TRUSTCO") or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint venture, limited liability company, association or partnership of which the OCM, TAMCO, Trustco or Oaktree, is a shareholder, manager or general partner, as the case may be.

"PARIBAS" means Banque Paribas.

"PARIBAS HOLDERS" shall mean the Holders of the Paribas Shares.

"PARIBAS SHARES" means all the Common Stock now and hereafter held by Paribas.

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

"PIGGYBACK RIGHT" shall have the meaning assigned to such term in SECTION 3(H).

"PUBLIC OFFERING" means any offering of Common Stock to the public, including the Initial Public Offering, either on behalf of the Company or any of its stockholders, pursuant to an effective registration statement.

"REGISTRATION EXPENSES" shall have the meaning assigned to such term in SECTION 7(A).

"SECURITIES" shall mean the shares of Common Stock and any securities convertible or exercisable into shares of Common Stock, and whenever an amount of Securities is calculated or used in any provision of this Agreement, convertible or exercisable securities shall be counted as the number of shares of Common Stock issuable upon such conversion or exercise.

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

"SELL-DOWN EVENT" means an event, subject to SECTIONS 2, 3 AND 4 of the Stockholders Agreement, whereby WES&S sells or Transfers Securities (or an economic "capital interest" therein, whether directly or indirectly) to any Person; PROVIDED, HOWEVER, that the following Transfers shall not constitute a Sell-Down Event: (i) any Transfer made to a WES&S Affiliate or (ii) any Transfer made to any Person if (A) WES&S retains voting control of the Securities transferred to such Person and (B) the cumulative number of Securities so transferred (or the economic capital interest therein) by WES&S shall not exceed the Threshold Amount.

"SIMON ENTITY" means Logistical Simon, L.L.C., a Delaware limited liability company, WESINVEST, Inc., a Delaware corporation or William E. Simon & Sons, L.L.C., a Delaware limited liability company.

"STOCKHOLDERS AGREEMENT" means the Second Amended and Restated Stockholders Agreement dated as of November 7, 1996 by and among the Company and each of the other Holders listed on EXHIBIT A thereto, as the same may be amended from time to time.

"THRESHOLD AMOUNT" means thirty percent (30%) of the shares held by WES&S as of the Closing Date (excluding for the purpose of this calculation any shares owned by WES&S to the extent received upon the exercise of its Warrants or otherwise acquired from parties other than the Company).

"TCW" means TCW Special Credits Fund V - The Principal Fund, a California limited partnership.

"TCW SHARES" means all the Common Stock now and hereafter held by TCW and any TCW Affiliate.

"TCW AFFILIATE" means any investor in or any employee of TCW, TCW Asset Management Company, a California corporation ("TAMCO"), Trust Company of the West, a California trust company ("TRUSTCO") or Oaktree Capital Management, LLC ("OAKTREE"), a California limited liability company, or in any company, joint

venture, limited liability company, association or partnership of which TCW, TAMCO, Trustco or Oaktree, is a shareholder, manager or general partner, as the case may be.

"WARRANT(S)" has the meaning assigned to such term in the Stockholders Agreement.

"WARRANTHOLDER" means any Investor who holds any Warrants.

"WES&S" means Logistical Simon, L.L.C., a Delaware limited liability company.

"WES&S SHARES" means the shares of Common Stock now and hereafter held by WES&S and any WES&S Affiliate; PROVIDED, HOWEVER, that all Warrants convertible or exercisable into shares of Common Stock pursuant to the Warrants held by WES&S or any WES&S Affiliate shall constitute "WES&S Shares" so long as WES&S or a WES&S Affiliate exercises such warrants prior to the date that the Commission declares effective any registration statement pursuant to a Public Offering under which such shares are registered.

"WES&S HOLDERS" shall mean the Holders of the (a) WES&S Shares and (b) and the Myers Shares. Upon the occurrence of any Cutback (as defined in Section 3(c)(ii) below) hereunder with respect to the WES&S Shares, such Cutback shall be allocated to the Myers Shares in the same percentage Cutback as applied to the WES&S Shares pursuant to the applicable offering.

"WES&S AFFILIATE" means any Simon Entity or any partnership, limited liability company or corporation that directly or indirectly, through one or more intermediaries, has control of, is controlled by or is under common control with (i) any Simon Entity or (ii) any shareholder, partner or member of a Simon Entity or any such shareholder's, partner's or member's spouse, siblings, children, children's spouses, grandchildren or their spouses or any trusts for the benefit of any of the foregoing.

SECTION 2. ACKNOWLEDGEMENT OF RIGHTS. The Company will, upon request of a Holder, acknowledge in writing the Company's obligation in respect of the rights to which a Holder shall be entitled under this Agreement, PROVIDED that the failure of a Holder to make any such request shall not affect the continuing obligation of the Company to the Holder in respect of such rights.

### SECTION 3. DEMAND REGISTRATION.

(a) Subject to the limitations contained in SECTION 5 and SECTION 6,



at any time on or after November 2, 1999, the OCM Holders representing a majority of the Common Stock so held or the WES&S Holders representing a majority of the Securities so held may give written notice to the Company requesting the registration of such number of shares of Common Stock as shall be requested by such requesting Holder (the "DEMAND NOTICE"), and thereupon, the Company shall, as expeditiously as possible, prepare and file a registration statement under the Securities Act covering the shares specified in such Demand Notice, and shall use its best efforts to cause such registration statement to become effective, all in accordance with the provisions of this Agreement; PROVIDED that the Company shall be obligated to effect registration pursuant to this SECTION 3(A) no more than two times for each of the OCM Holders and the WES&S Holders.

(b) Whenever the Company shall have received a demand pursuant to SECTION 3(A) above to effect the registration of any shares, the Company shall promptly give written notice to: (i) in the event such requesting Holder holds a majority of the Securities held by all OCM Holders, any other OCM Holder and to the WES&S Holders, (ii) in the event such requesting Holder holds a majority of the Securities held by all WES&S Holders, any other WES&S Holder and the OCM Holders; (iii) the Paribas Holders; and (iv) the ING Holders, and allow each such Holder the opportunity to participate in such registration. Each such Holder may, within ten (10) days after receipt of such notice, request in writing that all of such Holder's shares, or any portion thereof designated by such Holder, be included in the offering.

(c) The Company shall proceed as expeditiously as possible after receipt of a demand pursuant to SECTION 3(A) above to file a registration statement and use its best efforts to effect, within ninety (90) days of the date of the Demand Notice, the registration of an offering under the Securities Act, such registration statement to be declared effective by the Commission not later than one hundred and eighty (180) days from the date of such Demand Notice under this SECTION 3. Such offering shall include:

(i) the shares specified in the Demand Notice given pursuant to SECTION 3(A) above; and

(ii) all shares that other Holders have requested be included in the offering pursuant to SECTION 3(B) above;

all to the extent required to permit the OCM Holders, the WES&S Holders, the Paribas Holders and the ING Holders, as the case may be, to dispose of such shares in compliance with applicable law;

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PROVIDED HOWEVER, that if the managing underwriter of such offering shall have determined that the inclusion of any shares pursuant to SECTION 3(B) above shall adversely affect the price, terms or number of securities to be underwritten and sold on behalf of the Holders initiating such demand registration pursuant to

SECTION 3(A) above, then all Holders still desiring to participate in such registration shall be subject to a reduction in the number of shares included in such demand registration on a pro-rata basis (a "CUTBACK"). Holders of shares (other than the Paribas Holders and the ING Holders) which either (i) elect to withdraw from such registration because of the Cutback or (ii) participate in the registration but have shares which are Cutback, shall in any case retain their demand registration rights with respect to the shares which are so withdrawn or Cutback. No other outstanding securities of the Company shall be included in such demand registration. Notwithstanding the foregoing, if the OCM Holders experience any Cutback due to the inclusion of the Myers Shares in such demand registration, then additional WES&S Shares shall be Cutback so that there is no incremental Cutback experienced by the OCM Holders by virtue of inclusion of the Myers Shares in such demand registration.

(d) A registration statement filed pursuant to this SECTION 3 shall remain effective until the first to occur of (i) the sale of all of the shares registered under such registration statement or (ii) the date two years following the date such registration statement was declared effective by the Commission, excluding any periods during which the Commission shall have issued any stop order with respect to such registration statement. If the registration statement is part of a shelf offering, the Company shall be obligated to keep such registration statement effective for a period of not less than two years.

(e) The Holders electing to participate in such offering shall have the right to select the managing underwriter to be engaged in connection with any such registration subject to the approval of the Company (which approval shall not be unreasonably withheld). Any such underwriter shall be a member firm of the New York Stock Exchange with a net capital of at least One-Hundred Million Dollars (\$100,000,000).

(f) If, at any time prior to the effectiveness of the registration statement referred to in this SECTION 3, the Holders initiating the Demand Notice in SECTION 3(A) above elect to withdraw such registration statement prior to its date of effectiveness, the Company shall promptly withdraw such registration statement prior to its effectiveness and such withdrawing Holders shall forfeit the foregoing demand registration rights referred to in SECTIONS 3(A) AND (B) above.

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Notwithstanding the foregoing, the demand registration rights referred to in SECTIONS 3(A) OR (B) above shall survive a pre-effectiveness election to withdraw as set forth in this SECTION 3(F), if either (i) such withdrawing Holders reimburse the Company for all of its Registration Expenses in connection with the preparation of such withdrawn registration statement or (B) the non-demanding Holders elect to replace the withdrawing Holders (in which event such non-demanding Holders shall have been deemed to have exercised their demand registration right).

(g) To the extent any OCM Holders or WES&S Holders elect not to participate in the demand registration requested by the majority of the OCM Holders or WES&S Holders (a "NON-MAJORITY HOLDER"), such Non-Majority Holders shall have the right to participate in the demand registration requested by the other category of shares, subject to the foregoing provisions on Cutbacks.

(h) In addition to the restrictions on the Company set forth pursuant to SECTION 8 hereof, the Company will not grant to any Person at any time on or after the date hereof the right (a "PIGGYBACK RIGHT") to request the Company to register any securities of the Company under the Securities Act by reason of the exercise by any Holder of its rights under this SECTION 3 unless such Piggyback Right provides that such securities shall not be registered and sold at the same time if the managing underwriter for the respective Holders reasonably believes that the sale of such securities would adversely affect the amount of, or price at which, the respective shares being registered under this SECTION 3 can be sold.

(i) The Company agrees not to effect any public or private sale or distribution of its equity securities, including a sale pursuant to Regulation D under the Securities Act, during the ten (10) day period prior to, and during the one-hundred and twenty day (120) period beginning on, the closing date of an underwritten offering made pursuant to a registration statement pursuant to this SECTION 3.

(j) To the extent that any Holders electing a demand registration determine as of the contemplated offering date not to sell their shares pursuant to an underwritten offering and such Holders do not reimburse the Company for Registration Expenses in the event that no Registration Statement is declared effective, such Holders are nonetheless entitled to have their shares registered pursuant to a "shelf registration" for the time period set forth in SECTION 3(D) above.

(k) The Company recognizes that money damages may be inadequate to compensate the Holders for a breach by the Company of its obligations under this Section, and the Company agrees

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that in the event of such a breach the Holder may apply for an injunction of specific performance or the granting of such other equitable remedies as may be awarded by a court of competent jurisdiction in order to afford the Holder the benefits of this SECTION 3 and that the Company shall not object to such application, entry of such injunction or granting of such other equitable remedies on the grounds that money damages will be sufficient to compensate the Holder.

SECTION 4. PIGGYBACK REGISTRATION. (a) Except for a demand registration as set forth in Section 3 and subject to SECTIONS 5 AND 6, if at

any time the Company proposes to register any offering of shares of its capital stock under the Securities Act, and if such registration is to be on a form of the Commission that may include, or is at any time amended or changed to such a form that may include the shares of the Company's capital stock (other than (i) a registration on Form S-4 or S-8 or any successor form to such Forms, (ii) in connection with merger, acquisitions, exchange offers or comparable transactions, or (iii) any registration of securities as it relates to an offering and sale to management of the Company pursuant to any employee stock plan or other employee benefit plan arrangement), the Company will at any such time give written notice (a "PIGGYBACK NOTICE") to all Holders of Common Stock and any Warrantholders of its intention so to do at least thirty (30) days prior to the filing of said registration statement.

(b) If the managing underwriter, participating in the sale and distribution of the Company's securities covered by said registration statement agrees that a certain number of shares of Common Stock (the "PERMISSIBLE SECONDARY SHARES") may be included in the offering covered by the registration statement, the Company's Piggyback Notice shall afford the Holders of Common Stock and any Warrantholder an opportunity to elect to include in such registration the Permissible Secondary Shares owned by them. Each Holder of Common Stock and any Warrantholder shall have twenty (20) days after receipt of the Company's Piggyback Notice to notify the Company in writing of the number of shares of Common Stock (the "ELECTED SHARES") which such Holder of Common Stock and any Warrantholder elects to include in the offering and such Elected Shares shall be included in the offering. If the aggregate number of Elected Shares that the Holders thereof desire to include in such filing exceeds the number of Permissible Secondary Shares, then each Holder of Common Stock and any Warrantholder electing to participate in such Piggyback Registration shall be subject to a reduction in the number of shares included in such registration on a pro-rata basis. Such managing underwriter may increase or decrease the number of Permissible Secondary Shares at any time until all shares included in such registration shall have been sold by such

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underwriters. For purposes of this Section 4(b) only, all shares of Common Stock underlying any Warrant shall constitute "Elected Shares" for such Warrantholder so long as such Warrantholder exercises such Warrant prior to the date when the Commission declares effective any registration statement pursuant to a Public Offering under which such shares are registered.

SECTION 5. OPINION OF COUNSEL. The Company shall have no obligation under SECTIONS 3 AND 4 hereof to register any shares if the Company shall deliver to the requesting Holders an opinion of counsel in form and substance reasonably satisfactory to such Holders and their counsel to the effect that the proposed sale or disposition of all of the shares for which registration was requested does not require registration under the Securities Act for a sale or disposition in a single public transaction and the resale of such shares to any

purchaser does not require registration under the Securities Act. The Company hereby agrees to indemnify the Holders against, and to hold them harmless from, all Losses arising from violations of law, that they may incur under the Securities Act or otherwise by reason of them proceeding in accordance with such opinion of counsel, other than (i) any such Losses that arise in connection with any willful misconduct on the part of such Holders or (ii) matters for which the Holders are obligated to indemnify the Company for under SECTION 9 hereof.

SECTION 6. REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions of this Agreement to use its best efforts to effect the registration of any of the shares of Common Stock under the Securities Act, the Company will (except as otherwise provided in this Agreement), as expeditiously as possible:

(a) cooperate with any underwriters for, and the sellers of, such shares, and will enter into a usual and customary underwriting and confidentiality agreements with respect thereto and take all such other reasonable actions as are necessary or advisable to permit, expedite and facilitate the disposition of such shares in the manner contemplated by the related registration statement in each case to the same extent as if all the securities then being offered were for the account of the Company and the Company will provide to any Holder, any underwriter participating in any distribution thereof pursuant to a registration statement, and any attorney, accountant or other agent retained by any Holder or underwriter, reasonable access to appropriate Company officers and employees to answer questions and to supply information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with such registration statement, so long as such person shall

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have executed a confidentiality agreement in form reasonably satisfactory to the Company;

(b) furnish or cause to be furnished to each Holder, addressed to such Holder, a copy of the opinion of counsel for the Company, and a copy of the "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included in the registration statement, delivered on the closing date to the underwriters of such shares;

(c) prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective; and prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the time period required pursuant to this Agreement and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all securities covered by such registration

statement whenever the Holders shall desire to sell or otherwise dispose of the same; PROVIDED that no such registration statement will be filed by the Company until counsel for the Holders shall have had a reasonable opportunity to review the same and to exercise their rights under clause (a) above with respect thereto and no amendment to any such registration statement naming such Holders as selling shareholders shall be filed with the Commission until such Holders shall have had at least seven days to review such registration statement as originally filed and theretofore amended, to exercise their rights under clause (a) above and to approve or disapprove any portion of such registration statement describing or referring to such Holders;

(d) furnish to each Holder such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents (excluding marketing and other selling related materials), as such Holder may reasonably request in order to facilitate the public sale or other disposition of the securities owned by such Holder;

(e) use its best efforts to register or qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each Holder shall request, except that the Company shall not for any such purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified or to file therein any general consent to service;

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(f) in the event of the issuance of any stop order suspending the effectiveness of any registration statement or of any order suspending or preventing the use of any prospectus or suspending the qualification of any shares for sale in any jurisdiction, use its best efforts promptly to obtain its withdrawal;

(g) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act; and

(h) list such securities on any securities exchange on which any stock of the Company is then listed, if the listing of such securities is then permitted under the rules of such exchange;

PROVIDED, HOWEVER, that notwithstanding any other provision of this Agreement, the Company shall not be required to maintain the effectiveness of any registration statement for a period in excess of two years (plus any period during which the effectiveness of such registration has been suspended), except that from time to time after a transfer of shares pursuant to a registration statement the Company will file all reports required to be filed by it under the



Securities Act and the Exchange Act, and will take such further action as any Holder may reasonably request, all to the extent required to enable the Holder to sell shares pursuant to Rule 144 promulgated under the Securities Act (or any successor thereto). Upon written request, the Company will promptly deliver to any Holder a written statement as to whether it has complied with such requirements at any time after it has become subject to such requirements.

#### SECTION 7. REGISTRATION EXPENSES.

(a) All expenses incident to the Company's performance of its obligations in connection with any registration of a Holder's shares under this Agreement including, without limitation, printing expenses, fees and disbursements of counsel for the Company, fees of the National Association of Securities Dealers, Inc. in connection with its review of any offering contemplated in any registration statement and expenses of any special audits which shall be necessary to comply with governmental requirements in connection with any such registration shall be paid by the Company. In connection with

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each registration the Company shall pay (i) all registration and filing fees for the Holders' shares under Federal and state securities laws, (ii) expenses of complying with the securities or blue sky laws of any jurisdictions pursuant to SECTION 6(E) hereof, and (iii) reasonable fees and expenses of no more than one counsel for the Holders (collectively, the "REGISTRATION EXPENSES"). The underwriting discount paid to the underwriters in connection with any registration shall be paid by the Company, the Holders and any other selling securities holders pro rata based on the number of shares of Common Stock sold by the Company, the Holders and such other securities holders; PROVIDED, HOWEVER, that the Company shall have no obligation to pay any other fees to, or reimburse expenses of, the underwriters hereunder.

(b) It shall be a condition precedent to the obligation of the Company to take any action pursuant to this Agreement in respect of the shares which are to be registered at the request of any Holder that such Holder shall furnish to the Company such information regarding the securities held by such Holder and the intended method of disposition thereof as the Company shall reasonably request and as shall be required in connection with the action to be taken by the Company.

(c) The Company agrees that it will not file a registration statement under the Securities Act, either for securities held by any of the Company's securityholders, other than the Holders, or for securities newly issued by the Company, until thirty (30) days after the effective date of any registration statement filed pursuant to the request of Holders made under SECTION 3 hereof.

SECTION 8. GRANT OF REGISTRATION RIGHTS TO OTHER STOCKHOLDER. If registration rights are granted to any holder of shares of any class of capital stock of the Company, other than a Holder ("ADDITIONAL REGISTRATION RIGHTS"), then the Company shall promptly notify the Holders upon the grant of such registration rights and offer to the Holders such additional registration rights granted to such other holders so that the terms and conditions of all registration rights granted to the Holders by this Agreement and any subsequent agreement are at least as favorable as the registration rights granted to such other holders in all terms and conditions, including without limitation, the number of demand registrations, the number of piggyback registrations, the number of registrable shares reduced in any registration at the request of the underwriters, reimbursement of registration expenses, indemnities and any other

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term or condition of such Additional Registration Rights. Upon receipt of such notice and offer, the Holders shall have thirty (30) days to provide notice to the Company that any such Holder accepts such additional registration rights. If any such other holder exercises any Additional Registration Rights during such thirty (30) day period, the Holders shall have the right within such thirty (30) day period to accept the offer, and to provide notice of the Holder's intent to join in any such registration, subject to the terms and conditions of the Additional Registration Rights and this Agreement, as applicable.

#### SECTION 9. INDEMNIFICATION.

(a) In the event of any registration of any of its securities under the Securities Act pursuant to this Agreement, to the extent permitted by law, the Company shall indemnify and hold harmless the Holders, such Holders' directors, officers, employees and agents, and each other person, if any, who controls any such Holder within the meaning of the Securities Act (a "CONTROLLING PERSON"), against any Losses, joint or several, to which such Holder or any such director or officer or Controlling Person may become subject under the Securities Act or any other statute or at common law, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (i) any alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Securities Act, or in any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (ii) any alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each such Holder or such director, officer, employee, agent or Controlling Person for any legal or any other expenses reasonably incurred by such Holder or such director, officer, employee, agent or Controlling Person in connection with investigating or defending any Loss; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon any alleged untrue statement or alleged omission made in such registration statement, preliminary prospectus, prospectus, or



amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Holder specifically for use therein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Holders or such director, officer, employee, agent or Controlling Person, and shall survive the transfer of shares by such Holder.

(b) To the extent permitted by law, each Holder of any shares shall, by acceptance thereof, indemnify and hold harmless

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the Company, its directors, officers, employees and agents and each other person, if any, who controls the Company against any Losses, joint or several, to which the Company or any such director, officer, employee, agent or any such person may become subject under the Securities Act or any other statute or at common law, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or omission of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Securities Act, or in any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (ii) any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent that such untrue statement or omission was contained in written information furnished to the Company through an instrument duly executed by such Holder specifically for use therein, and shall reimburse the Company or such director, officer, employee, agent or other person for any legal or any other expenses reasonably incurred in connection with investigating or defending any such Loss.

(c) Indemnification similar to that specified in SECTIONS 9(A) AND 9(B) hereof shall be given by the Company and each Holder of shares included in a registration statement (with such modifications as shall be appropriate) to any underwriter with respect to any required registration or other qualification of such shares under any federal or state law or regulation of governmental authority. The indemnity and expense reimbursement obligations of the Company and the Holders under SECTIONS 9(A) AND 9(B) hereof shall be in addition to any liability the Company and the Holders may otherwise have.

(d) If any action or proceeding (including any governmental investigation or inquiry) shall be brought or any claim shall be asserted against any person entitled to indemnity hereunder (an "INDEMNIFIED PARTY"), such Indemnified Party shall promptly notify the party from which such indemnity is sought (the "INDEMNIFYING PARTY") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all reasonable fees and expenses incurred in connection with the defense thereof. Any such fees and expenses borne by the Indemnified Party (including any reasonable fees and expenses incurred in connection with investigating or preparing to defend such

action or proceeding) shall be paid to the Indemnified Party, as incurred, within fifteen days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder), PROVIDED, that such Indemnified Party shall first undertake to reimburse all such

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fees and expenses to the extent it is judicially determined that such Indemnified Party is not entitled to indemnification hereunder. Any such Indemnified Party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expenses of such Indemnified Party unless (i) the Indemnifying Party has agreed to pay such fees and expenses or (ii) the Indemnifying Party shall have failed to promptly assume the defense of such action, claim or proceeding or (iii) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the Indemnifying Party and that the assertion of such defenses would create a conflict of interest such that counsel employed by the Indemnifying Party could not faithfully represent the Indemnified Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such action, claim or proceeding on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action, claim or proceeding or separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties, unless in the reasonable judgment of such Indemnified Party a conflict of interest may exist between such Indemnified Party and any other of such indemnified parties with respect to such action, claim or proceeding, in which event the Indemnifying Party shall be obligated to pay the fees and expenses of such additional counsel or counsels). The Indemnifying Party shall not be liable for any settlement of any such action or proceeding effected without its written consent, which consent shall not be unreasonably withheld.

(e) If the indemnification provided for in this SECTION 9 is unavailable to an Indemnified Party (other than by reason of exceptions provided in those Sections) in respect of any Losses, then each applicable Indemnifying Party in lieu of indemnifying such Indemnified Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and indemnified parties in connection with the actions, statements or omissions which resulted in such Losses as well as any other

considerations. The relative fault of such Indemnifying Party and the Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this paragraph any legal or other fees or expenses reasonably incurred by such party in connection with any action, suit, claim, investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this paragraph were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section, if a Holder is an Indemnifying Party it shall not be required to contribute any amount in excess of the net proceeds (after giving effect to the payment of underwriter's discounts and other fees or expenses, if any) received by the Holder in connection with such public offering. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 10. ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register shares pursuant to this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities who, after such assignment or transfer, holds at least 10,000 shares (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalization), provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of SECTION 11 below; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares held by a transferee or assignee, the holdings of transferees and assignees of a partnership who are partners or retired partners of such partnership (including spouses and ancestors, lineal descendants and siblings of such partners or spouses who acquire shares by

gift, will or intestate succession) shall be aggregated together and with the partnership. Notwithstanding the foregoing, each of TCW and OCM may assign its rights hereunder at any time in connection with a liquidating distribution of assets to its partners. For purposes of this Agreement, any transferee or assignee of securities pursuant to this Section 10 shall be deemed to be the same category of Holder (I.E., OCM Holder, WES&S Holder or a Holder that is not an OCM Holder or a WES&S Holder, as the case may be) as the transferor or assignor of such securities.

SECTION 11. "MARKET STAND-OFF" AGREEMENT. Each Holder hereby agrees that, during the period of duration specified by the Company and a managing underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the Securities Act, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; PROVIDED, HOWEVER, that:

(a) such agreement shall be applicable only to registration statements of the Company that cover Common Stock to be sold on its behalf, or on behalf of Holders pursuant to demand registration rights hereunder, to the public in an underwritten offering; and

(b) such market stand-off time period shall not exceed 120 days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the shares (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

Notwithstanding the foregoing, the obligations described in this Section shall not apply to (i) transfers by OCM Holders in connection with a private placement pursuant to exemptions from the registration requirements of the Securities Act provided by Section 4(2) thereof and Regulation D thereunder, (ii) transfers by OCM or TCW to an OCM Affiliate or a TCW Affiliate, respectively, in connection with an in-kind distribution or (iii) transfers by WES&S Holders so long as such transfer does not constitute a Sell-Down Event.

SECTION 12. MISCELLANEOUS.

(a) NOTICES. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

(i) if to the Company, at

330 S. Mannheim Road, Ste. 200  
Hillside, IL 60612  
Facsimile No.: (708) 547-4524  
Attention: Roger E. Payton

with copies to:

Latham & Watkins  
633 West Fifth Street  
Suite 4000  
Los Angeles, CA 90071-2007  
Facsimile No.: (213) 891-6763  
Attention: Paul D. Tosetti

Milbank, Tweed, Hadley & McCloy  
601 S. Figueroa St.  
Suite 3100  
Los Angeles, CA 90017  
Facsimile No.: (213) 629-5063  
Attention: Eric H. Schunk

(i) if to any other person who is the registered holder of any Securities to the address for the purpose of such holder as it appears in the stock ledger of the Company

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

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(b) AMENDMENT. No change in or modification of this Agreement shall be valid unless the same shall be in writing and signed by the Company and the Holders.

(c) ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the Holders. This Agreement may not be assigned by the Company without the prior written consent of the Holders.

(d) WAIVER. No failure or delay on the part of the parties or any of them in exercising any right, power or privilege hereunder, nor any course of dealing between the parties or any of them shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude the simultaneous or later exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and are not exclusive of any rights or remedies which the parties or any of them would otherwise have. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the other parties or any of them to take any other or further action in any circumstances without notice or demand.

(e) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(f) GOVERNING LAW. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

(g) FILING. A copy of this Agreement and of all amendments hereto shall be filed at the principal office of the Company.

(h) TERMINATION. This Agreement may be terminated at any time by an instrument in writing signed by the Company and each Holder.

(i) BENEFIT AND BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their executors, administrators, personal representatives, heirs, successors and assigns.

(j) SEVERABILITY. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid

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and enforceable as though the invalid portions were not a part hereof.

(k) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(l) ATTORNEYS' FEES. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly

asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees (including any fees incurred in any appeal) in addition to its costs and expenses and any other available remedy.

(m) **EQUITABLE RELIEF.** The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce such provisions.

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IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Registration Rights Agreement as of the day and year first above written.

The Company:

INTERNATIONAL LOGISTICS LIMITED

By: /s/ ROGER E. PAYTON

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Roger E. Payton  
President and  
Chief Executive Officer

Holders:

TCW SPECIAL CREDITS FUND V - THE  
PRINCIPAL FUND

By: TCW ASSET MANAGEMENT COMPANY,  
its General Partner

By: /s/ STEPHAN A. KAPLAN

-----

Stephen A. Kaplan  
Authorized Signatory

By: /s/ VINCENT J. CEBULA

-----  
Vincent J. Cebula  
Authorized Signatory

OCM PRINCIPAL OPPORTUNITIES FUND, L.P.

By: OAKTREE CAPITAL MANAGEMENT, LLC,  
its General Partner

By: /s/ STEPHAN A. KAPLAN

-----  
Stephen A. Kaplan  
Principal

By: /s/ VINCENT J. CEBULA

-----  
Vincent J. Cebula  
Senior Vice President

LOGISTICAL SIMON, L.L.C.

By: WESINVEST, Inc.  
its Manager

By: /s/ MICHAEL B. LENARD

-----  
Michael B. Lenard  
President

[signature page continues]

INTERNATIONALE NEDERLANDEN (U.S.)  
CAPITAL CORPORATION

By: /s/

-----  
Name:  
Title:

BANQUE PARIBAS

By: /s/ STEVEN M. HEINEN

-----  
Name: Steven M. Heinen  
Title: Vice President



/s/ ROGER E. PAYTON

-----  
Roger E. Payton, as an individual

/s/ ANDREW ESTOCLET

-----  
Andrew Estoclet, as an individual

/s/ GARY HOLTER

-----  
Gary Holter, as an individual

/s/ LARRY MARZULLO

-----  
Larry Marzullo, as an individual

/s/ WILLIAM E. MYERS, JR.

-----  
William E. Myers, Jr., as an individual

/s/ KURT KAMM

-----  
Kurt Kamm, as an individual

/s/ WILLIAM KIDD

-----  
William Kidd, as an individual

/s/ DAVID W.M. HARVEY

-----  
David W.M. Harvey, as an individual

/s/ BRIAN E. SANDERSON

-----  
Brian E. Sanderson, as an individual

[signature page continues]

/s/ EDWARD R. MANDELL

-----  
Edward R. Mandell, as an individual

/s/ AUDREY M. JAKEL

-----  
Audrey M. Jakel, as an individual

/s/ KENNETH S. OGDEN

-----  
Kenneth S. Ogden, as an individual

/s/ JAMES L. MAZZUCA

-----  
James L. Mazzuca, as an individual

/s/ MARK LUNDGREN

-----  
Mark Lundgren, as an individual

/s/ CHRISTER G. CARLSSON

-----  
Christer G. Carlsson, as an individual

-----  
Susan M. Cauldwell, as an individual

/s/ PAUL STONE

-----  
Paul Stone, as an individual

/s/ CHRISTINE STONE

-----  
Christine Stone, as an individual

/s/ DOUGLAS CRUIKSHANK

-----  
Douglas Cruikshank, as an individual

/s/ RONALD S. CRUSE

-----  
Ronald S. Cruse, as an individual

/s/ STEVE HITCHCOCK

-----  
Steve Hitchcock, as an individual

/s/ PAUL D. SMITH

-----  
Paul D. Smith, as an individual

/s/ ABE RANISH

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Abe Ranish, as an individual

PARIBAS NORTH AMERICA, INC.

By: /s/ JOHN MARTINEZ

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Name: John Martinez

Title: Financial Controller

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EXHIBIT "A"

| HOLDERS  | COMMON STOCK | WARRANTS |
|--|--------------|----------|
| TCW SPECIAL CREDITS FUND V -<br>THE PRINCIPAL FUND | 695,575      | 0        |
| OCM PRINCIPAL OPPORTUNITIES<br>FUND, L.P.          | 600,000      | 0        |
| LOGISTICAL SIMON, L.L.C.                           | 469,532      | 125,000  |
| ROGER E. PAYTON                                    | 22,500*      | 175,000  |
| ANDREW ESTOCLET                                    | 23,060       | 0        |

|  |        |          |
|--|--------|----------|
| GARY HOLTER                                    | 5,000  | 0        |
| LARRY MARZULLO                                 | 17,500 | 0        |
| ING  | 7,500  | 5,025    |
| BANQUE PARIBAS                                 | 17,500 | 5,025    |
| PARIBAS NORTH AMERICA, INC.                    | 50,000 | 0        |
| WILLIAM E. MYERS, JR.                          | 0      | 59,938** |
| BRIAN E. SANDERSON                             | 0      | 14,983** |
| KURT KAMM                                      | 0      | 6,516    |
| WILLIAM KIDD                                   | 0      | 6,516    |
| EDWARD R. MANDELL                              | 0      | 266      |
| DAVID W.M. HARVEY                              | 0      | 5,620**  |
| AUDREY M. JAKEL                                | 2,500  | 0        |
| KENNETH S. OGDEN                               | 1,000  | 0        |
| JAMES L. MAZZUCA                               | 2,500  | 0        |
| MARK LUNDGREN                                  | 500    | 0        |
| PAUL STONE AND<br>CHRISTINE STONE              | 500    | 0        |
| CHRISTER G. CARLSSON AND<br>SUSAN M. CAULDWELL | 1,500  | 0        |
| DOUGLAS CRUIKSHANK                             | 24,000 | 0        |
| RONALD S. CRUSE                                | 24,000 | 0        |
| STEVE HITCHCOCK                                | 24,000 | 0        |

[Table continued on next page]

|               |        |   |
|---------------|--------|---|
| PAUL D. SMITH | 24,000 | 0 |
|---------------|--------|---|

|       |              |          |
|-------|--------------|----------|
| TOTAL | 2,016,667    | 403,889  |
|       | Common Stock | Warrants |

\*Includes 10,000 shares issued to the Bekins Company Non-Qualified Plan dated which shares are allocated for the benefit of Roger E. Payton.

\*\*Includes 20,354, 5,087 and 1,909 additional Warrants issued to William E. Myers, Jr., Brian E. Sanderson and David W.M. Harvey, respectively, with an initial exercise price of \$30.00 per share which represents on a fully-diluted basis 2.5% of the 1,016,667 shares of Common Stock and 50,000 Warrants issued to OCM, TCW, WES&S, Banque Paribas and Roger E. Payton on 10/31/96 and 11/7/96, respectively.

## EXECUTIVE MANAGEMENT AGREEMENT

This Agreement is made and entered into as of the 31st day of October, 1996, by and between International Logistics Limited, a Delaware corporation (the "Company"), and William E. Simon & Sons, L.L.C., a limited liability company organized under the laws of the state of Delaware ("Simon"). Capitalized terms, not defined herein, shall have the meaning ascribed to them in the Amended and Restated Stockholders Agreement dated as of October 31, 1996 by and among the Company and each of the Holders listed on Exhibit A thereto.

### W I T N E S S E T H:

WHEREAS, the Company desires to enter into a management agreement with Simon for the provision of executive management services.

WHEREAS, Simon is willing and able to provide the Company with executive management services.

NOW THEREFORE, in consideration of the premises and of other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

### SECTION 1. SERVICES

A. The Company hereby retains Simon to provide the Company with executive management services as provided herein. Such services shall include consultation, advice and direct management assistance to the Company with respect to operations, strategic planning, financing and other aspects of the business of the Company. Simon shall devote such time as is reasonably necessary to provide such services.

B. Simon accepts the appointment provided in Section 1.A above and agrees to provide executive management services to the Company in accordance with the terms hereof.

### SECTION 2. CONSIDERATION

A. BASE FEE. In consideration of the executive management services to be provided by Simon to the Company, and provided there exists no continuing or uncured material event of default under the material terms of indebtedness of the Company or any of its Subsidiaries, the Company shall pay and Simon shall be entitled to receive a management fee of \$350,000 per year, which shall be payable in arrears on a pro rata basis upon the completion of each fiscal

quarter of the Company (the "Base Fee"). The Base Fee shall be paid by wire transfer of immediately available funds, to such account or accounts as shall be designated from time to time by Simon. All payments with respect to the Base Fee by the Company shall be subject to applicable restrictions contained in the Company's and its Subsidiaries' debt and equity financing agreements. If any such restrictions prohibit any payments with respect to the Base Fee hereunder which the Company is otherwise obligated to make, the Company shall make such payments as soon as it is permitted to do so under such restrictions.

B. EXPENSES. In addition to the Base Fee, Simon shall also be entitled to reimbursement for all reasonable out-of-pocket expenses incurred by Simon or its personnel in connection with the performance of Simon's duties hereunder, which amounts shall be so reimbursed when invoices with respect thereto are submitted by Simon to the Company.

### SECTION 3. TERM

This Agreement shall take effect as of the date first above written and shall continue until automatically terminated by the first to occur of (i) a Qualified Public Offering; (ii) a Sell-Down Event; (iii) a WES&S Purchase Default; (iv) a WES&S Funding Default; or (v) Termination of the Agreement by the Board as a result of criminal misconduct or fraud by Simon. Unless terminated as set forth in clauses (i) through (v) above or pursuant to Section 4(c), this Agreement shall take effect from the date hereof and shall remain in effect until May 2, 2000. This Agreement shall thereafter be renewed, subject to approval by the Board, for successive annual periods unless the Company or Simon terminates this Agreement by 90 days' notice to the other party prior to the commencement of a renewal period.

### SECTION 4. MISCELLANEOUS

A. Any notice required or desired to be given hereunder shall be in writing and shall be personally served or shall be deemed given three business days after deposit in the United States mail, registered or certified, postage and fee prepaid, and addressed as follows:

If to the Company:

International Logistics Limited  
310 South Street, P.O. Box 1913  
Morristown, NJ 07962-1913  
Attention: Roger E. Payton

If to Simon:

William E. Simon & Sons, L.L.C.

10990 Wilshire Boulevard, Suite 1750  
Los Angeles, CA 90024  
Attention: Michael Lenard

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B. This Agreement shall be binding upon the successors and assigns of the parties hereto, including but not limited to any corporation or other entity into which the Company is merged, liquidated or otherwise combined, unless the Company shall be sold in its entirety.

C. If at any time (1) all Persons that presently directly, or indirectly through one or more intermediaries, control Simon no longer control Simon or (2) both Michael B. Lenard and William E. Simon Jr. are no longer affiliated with Simon or any of its affiliates or subsidiaries, then this Agreement shall terminate unless extended by mutual consent of Simon and the Company. For the purposes of this Agreement, (1) "Person" shall mean an individual, partnership, corporation, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity and (2) "control" shall mean (a) direct or indirect ownership of 50% or more of the members' capital interests of Simon (or the economic value thereof), (b) direct or indirect ownership by Simon of its assets under circumstances whereby not more than 50% of the value of such assets has been pledged or sold to persons other than Simon or (c) possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of Simon, whether through the ownership of voting securities or by agreement or otherwise.

D. This Agreement shall not be amended except by a written instrument executed by the parties.

E. This Agreement is made under and shall be construed in accordance with the laws of the State of California.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date above written.

INTERNATIONAL LOGISTICS LIMITED

By: /s/ Roger E. Payton

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WILLIAM E. SIMON & SONS, L.L.C.

By: /s/ Michael B. Lenard

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## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "AGREEMENT") is dated as of April 30, 1996, between International Logistics Limited, a Delaware corporation (the "COMPANY"), and Roger E. Payton (the "EXECUTIVE").

1. EMPLOYMENT. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to be employed by the Company, on the terms and conditions set forth herein.

2. TERM. The employment of the Executive by the Company as provided in Section 1 will commence on the date hereof and terminate at 12:01 a.m. on April 30, 2000 (the "EXPIRATION DATE") unless sooner terminated as hereinafter provided (such period, the "EMPLOYMENT PERIOD"). No later than November 30, 1999, the Company shall provide the Executive with written notice as to whether (a) the Company intends to renew the Agreement (including proposed terms for such renewal which the Executive may accept, reject or negotiate, at his discretion), or (b) the Agreement will be terminated at the conclusion of the Employment Period.

### 3. POSITION, DUTIES AND RESPONSIBILITIES.

(a) POSITION. The Executive hereby agrees to serve as Chief Executive Officer of the Company and a member of the Board of Directors of the Company (the "BOARD"). The Executive shall devote his best efforts and his full business time and attention to the performance of services to the Company in his capacity as an officer thereof and in such other executive capacity as may reasonably be requested by the Board. The Company shall retain full direction and control of the means and methods by which the Executive performs the above services. The Company recognizes that the Executive is subject to non-competition agreement dated as of December 19, 1995, by and between the Executive and NFC, plc. (the "NON-COMPETITION AGREEMENT") and that the Executive may notify the Company from time to time that he cannot provide certain services which conflict with the terms of the Non-Competition Agreement.

(b) PLACE OF EMPLOYMENT. During the term of this Agreement, the Executive shall perform the services required by this Agreement by spending (i) at least four (4) days per week at the Company's principal place or places of business or at such other location(s) as may be prescribed by the Company (the "OFFICE LOCATION") and (ii) at least one (1) day per week at such other location (E.G., his home office) as the Executive and the Company shall mutually determine (the "NON-OFFICE LOCATION"); PROVIDED, HOWEVER, that the Company may from time to time require the Executive to travel temporarily to other locations on the Company's business. Any and all costs and expense related to the performance of service by the Executive at the Non-Office

Location (including, without limitation, travel to and from the Non-Office Location and related out-of-pocket expenses and equipment for the Non-Office Location) shall be borne solely by the Executive and shall not be paid or reimbursed by the Company. The Company shall reimburse the Executive for business- related telephone (including fax) charges incurred by the Executive at the Non-Office Location.

(c) OTHER ACTIVITIES. Except with the prior written approval of the Board (which the Board may grant or withhold in its sole and absolute discretion), the Executive, during the Employment Period, will not (i) accept any other employment, (ii) serve on the board of directors or

similar body of any other business entity, or (iii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to, that of the Company or any of its affiliates.

#### 4. COMPENSATION AND RELATED MATTERS.

(a) SALARY. During the Employment Period, the Company shall pay the Executive a salary of not less than \$315,000 per year, to be paid consistent with the standard payroll practices of The Bekins Company, a Delaware company and a wholly-owned subsidiary of the Company ("TBC") (E.G., timing of payments and standard employee deductions, such as income tax withholdings, social security, etc., shall be substantially similar to those of TBC). The Board shall review the Executive's performance and salary annually upon each anniversary of the Effective Date and may increase Executive's salary if it deems an increase appropriate in its sole and absolute discretion.

(b) BUSINESS EXPENSES. The Company shall reimburse the Executive in connection with the conduct of the Company's business upon presentation of sufficient evidence of such expenditures consistent with TBC's policies as in place from time to time (and subject to the limitations set forth herein).

(c) OTHER BENEFITS. The Executive shall be entitled to participate in or receive such health, welfare, life insurance (which shall currently entail, among other things, (i) a \$750,000 term life insurance policy, and (ii) a \$2,000,000 accidental death policy), long-term disability insurance (which shall currently entail, among other things, annual benefits in the amount of 60% of the Executive's annual salary), bonus plan and similar benefits as TBC provides generally from time to time to its executives. The Company acknowledges that within a reasonable time following the execution of this Agreement, TBC intends to institute a non-qualified pension plan to offset reductions for high compensation individuals due to statutory limits and discriminatory testing applicable to qualified pension plans (the "Non-Qualified Plan"). Except with respect to TBC's obligations with respect to the Non-Qualified Plan, nothing herein is intended, or shall be construed to require the Company or TBC to institute or continue any, or any

particular, plan or benefits.

(d) BONUS. The Executive shall be entitled to receive additional bonus compensation at the sole and absolute discretion of the Board, if and when approved by the Board.

(e) AUTOMOBILE. The Company shall provide the Executive with an annual automobile allowance of \$12,000 payable in equal installments consistent with the standard payroll practice of TBC.

(f) RELOCATION. The Company shall relocate the Executive pursuant to the terms of that certain Prudential Resources Management Relocation Agreement dated as of March 29, 1996 by and between William E. Simon & Sons, LLC or its assigns ("WESS") and Prudential Residential Services, Limited Partnership ("PRUDENTIAL"), that certain letter dated April 19, 1996 from WESS to Prudential and that certain memorandum dated April 29, 1996 from the Executive to WESS (each of which is attached hereto as Exhibit A, and all of which are collectively referred to herein as the "RELOCATION AGREEMENTS") and shall reimburse the Executive for (i) reasonable and customary closing costs paid by the Executive in connection with the purchase of a new principal residence, and (ii) all reasonable expenses related to the physical relocation of the Executive's family and possessions.

(g) VACATION. The Executive shall be entitled to twenty vacation days in each calendar year. The Executive will be entitled to all Company holidays.

(h) ADDITIONAL LIFE INSURANCE. The Company shall assume payment of the premium presently in effect on the Executive's \$257,030 New England Mutual Life Insurance Company life insurance policy, dated September 3, 1991, Policy #8670595, the proceeds of which shall be paid to the Executive's beneficiaries in the event of the Executive's death.

(i) ALLOCATIONS OF MANAGEMENT EQUITY. The Company contemplates that it may, from time to time at the sole and absolute discretion of the Board, issue additional equity in the Company in order to fund future acquisitions. In such event, the Company currently contemplates that it will issue warrants for common stock in the Company, upon such terms and conditions as the Board may determine at such time, for up to 10% (on a fully-diluted basis) of common stock of the Company issued and issuable in connection with such acquisition for certain employees, executive officers and directors of the Company pursuant to any stock option plan approved by the Board. The Executive may, at the sole and absolute discretion of the Board, be entitled to participate in any issuance of such warrants.

5. TERMINATION. The Executive's employment hereunder may be terminated under the following circumstances:

(a) DEATH. The Executive's employment hereunder shall terminate

upon his death.

(b) DISABILITY. This Agreement shall terminate if the Executive has been unable to perform his duties under this Agreement for more than 120 days during any 180-day period as a result of any physical or mental disability or infirmity, as determined in the opinion of a competent physician selected by the Board.

(c) CAUSE. The Company may terminate the Executive's employment hereunder for "CAUSE." Cause shall mean (i) the Executive's material breach of any of the terms of this Agreement, (ii) his conviction of a crime involving moral turpitude or constituting a felony under the laws of any state, the District of Columbia or of the United States, or (iii) his misconduct in the performance of his duties hereunder, including without limitation, his failure or refusal to carry out any proper direction by the Board with respect to the services to be rendered by him hereunder or his habitual neglect of his duties as an officer of the Company, which misconduct or neglect, if capable of cure in the Board's sole and absolute discretion, shall continue after receipt of written notice from the Company.

(d) EMPLOYMENT-AT-WILL/TERMINATION FOR ANY REASON. The Executive hereby agrees that the Company may dismiss him under this Section 5 without regard (i) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (ii) to any statements made to the Executive, whether made orally or contained in any document, pertaining to the Executive's relationship with the Company. Notwithstanding anything to the contrary contained herein, including Section 2, the Executive's employment with the Company is not for any specified term and may be terminated by the Company at any time, for any reason, with or without cause, without liability except with respect to the payments provided for by Section 6.

(e) VOLUNTARY RESIGNATION. The Executive may voluntarily resign his position and terminate his employment with the Company at any time by delivery of a written notice of resignation to the Company (the "NOTICE OF RESIGNATION"). The Notice of Resignation shall set forth the date such resignation shall become effective (the "DATE OF RESIGNATION"), which date shall, in any event, be no more than thirty (30) days from the date the Notice of Resignation is delivered to the Company.

(f) CONSTRUCTIVE DISCHARGE. The Executive may regard his employment as being constructively terminated by the Company and may resign his position by delivery of a Notice of Resignation as described in Section 5(e) above if there has been a substantial diminution in the Executive's duties and responsibilities with the Company as directed by the Board since the date of this Agreement (a "CONSTRUCTIVE DISCHARGE").

(g) NOTICE. Any termination of the Executive's employment by the Company shall be communicated by written Notice of Termination to the Executive. For purposes of this Agreement, a "NOTICE OF TERMINATION" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(h) "DATE OF TERMINATION" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated by reason of his disability, the date of the opinion of the physician referred to in Section 5(b), above, (iii) if the Executive's employment is terminated pursuant to subsection (c) above, or without cause by the Company, the date specified in the Notice of Termination, and (iv) if the Executive resigns, the Date of Resignation.

(i) TERMINATION OBLIGATIONS.

(i) The Executive hereby acknowledges and agrees that all personal property and equipment furnished to or prepared by the Executive in the course of or incident to his employment belongs to the Company and shall be promptly returned to the Company upon termination of the Employment Period. "PERSONAL PROPERTY" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), and all other proprietary information relating to the business of the Company. Following termination, the Executive will not retain any written or other tangible material containing any proprietary information of the Company; PROVIDED, HOWEVER, that in the event of any contractual dispute under this Agreement, the Executive may retain, subject to the conditions of Section 7(a) below, copies of such materials necessary to defend his position until such time as the dispute has been resolved.

(ii) Upon termination of the Employment Period, the Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any affiliate.

(iii) The representations and warranties contained herein and the Executive's obligations under Sections 5(i), 7, 8, 9 and 15 shall survive termination of the Employment Period and the expiration of this Agreement.

6. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(a) DEATH. If the Executive's employment shall be terminated pursuant to Section 5(a), the Company shall pay the estate of the Executive his salary through the Date of Termination. In addition, the Company shall keep in force existing health insurance covering the Executive's dependents for a period of one (1) year from Date of Termination on the basis in effect at the date of

the termination of the Executive's employment, subject to the Company's right to amend, modify or terminate any such plan. After the one (1) year period described in the preceding sentence, the Executive's dependents shall also be entitled to any continuation of coverage rights under any applicable law.

(b) DISABILITY. During any period that the Executive fails to perform his duties hereunder as a result of disability due to physical or mental illness, the Executive shall continue to receive his salary until his employment is terminated pursuant to Section 5(b) hereof, provided that payments so made to the Executive during the first 120 days of the disability shall be reduced by the sum of the amounts, if any, payable to the Executive at or prior to the time of any such payment under any disability benefit plan of the Company. In addition, the Company shall keep in force existing health insurance covering the Executive and his dependents for a period of one (1) year from the Date of Termination on the basis in effect at the date of the termination of the Executive's employment, subject to the Company's right to amend, modify or terminate any such plan. After the one (1) year period described in the preceding sentence, the Executive and his dependents shall also be entitled to any continuation of coverage rights under any applicable law.

(c) CAUSE. If the Executive's employment shall be terminated for Cause pursuant to Section 5(c) hereof, the Company shall pay the Executive his salary through the Date of Termination. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights to the extent required by any applicable law.

(d) OTHER TERMINATIONS BY THE COMPANY. If the Company shall terminate the Executive's employment without Cause pursuant to Section 5(d) hereof or if there has been a Constructive Discharge pursuant to Section 5(f) hereof, the Company shall pay the Executive the salary payable to the Executive pursuant to and in accordance with Section 4(a) hereof for the lesser of a period of two (2) years from the Date of Termination or the remaining term hereunder; PROVIDED, HOWEVER, that in no event shall the Executive receive less than one (1) year's such salary. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights to the extent required by any applicable law.

(e) VOLUNTARY RESIGNATION. If the Executive terminates his employment with the Company pursuant to Section 5(e) hereof, the Company shall pay the Executive the salary payable to the Executive pursuant to and in accordance with the provisions of Section 4(a) hereof through the Date of Resignation. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights to the extent required by any applicable law.

(f) EXPIRATION OF TERM. If the Agreement has not been renewed on or



before the Expiration Date and the Executive's employment with the Company terminates pursuant to the terms of the Agreement at the Expiration Date, the Company shall pay the Executive the salary payable to the Executive pursuant to and in accordance with Section 4(a) hereof for a period of one year from the Expiration Date.

## 7. CONFIDENTIALITY AND NON-SOLICITATION COVENANTS.

(a) CONFIDENTIALITY. In addition to the agreements set forth in Section 5(i), the Executive hereby agrees that the Executive will not, during or after the Employment Period, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for

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any reason or purpose whatsoever, any Confidential Information (as defined below). The Executive agrees that, upon termination of his employment with the Company, all Confidential Information in his possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by the Executive or furnished to any third party, in any form except as provided herein; PROVIDED, HOWEVER, that the Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to the Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity or (iii) is lawfully disclosed to the Executive by a third party. As used in this Agreement the term "CONFIDENTIAL INFORMATION" means: information disclosed to the Executive or known by the Executive as a consequence of or through his relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists of the Company and its affiliates.

(b) NON-SOLICITATION. In addition, the Executive hereby agrees that during the Employment Period or any period of time for which salary is obligated to be paid to the Executive pursuant to and in accordance with the terms of Section 6 (any such period referred to herein as the "SEVERANCE PERIOD"), the Executive will not, either on his own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, (i) endeavor, directly or indirectly, to solicit, the manufacture or sale of goods or provision of services to any person, firm or corporation which, at any time during the Employment Period has been or is a customer of or in the habit of dealing with the Company in its business, (ii) endeavor directly or indirectly to canvas or solicit in competition with the Company or to interfere with the supply of orders for goods or services from or by any person, firm or



corporation which during the Employment Period has been or is a supplier of goods or services to Company or (iii) directly or indirectly solicit or attempt to solicit away from Company any of its officers or employees or offer employment to any person who, on or during the 6 months immediately preceding the date of such solicitation or offer, is or was an officer or employee of Company.

8. COVENANT NOT TO COMPETE. The Executive agrees that during the Employment Period and any Severance Period, he will not, directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected as a director, officer, employee, partner, consultant or otherwise with, any profit or non-profit business or organization which, directly or indirectly, competes with, or in way interferes with, the business of the Company or any of its affiliates in any part of the United States.

9. INJUNCTIVE RELIEF AND ENFORCEMENT. In the event of breach by the Executive of the terms of Sections 5(i)(i), 7 or 8, the Company shall be entitled to institute legal proceedings to obtain damages for any such breach, or to enforce the specific performance of this Agreement by the Executive and to enjoin the Executive from any further violation of Sections 5(i)(i), 7 or 8 and to exercise such remedies cumulatively or in conjunction with all other rights and remedies provided by law. The Executive acknowledges, however, that the remedies at law for any breach by him of the provisions of Sections 5(i)(i), 7 or 8 may be inadequate. In addition, in the event the agreements set forth in Sections 5(i)(i), 7 or 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time or over too great a geographical area or by reason of being too extensive in any other respect, each such agreement shall be interpreted to extend over the maximum period of time for which it may be enforceable and to the maximum extent

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in all other respects as to which it may be enforceable, and enforced as so interpreted, all as determined by such court in such action.

10. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered when transmitted by telecopy with receipt confirmed, or one day after delivery to an overnight air courier guaranteeing next day delivery, addressed as follows:

If to the Executive:

Roger E. Payton  
6108 South Lone Peak Drive  
Evergreen, Colorado 80439

If to the Company:

International Logistics Limited  
c/o William E. Simon & Sons, LLC

310 South Street  
Morristown, New Jersey 07962  
Attention: Michael B. Lenard

With a copy to:

Latham & Watkins  
633 West Fifth Street  
Suite 4000  
Los Angeles, California 90071-2007  
Attention: Paul D. Tosetti, Esq.

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. SEVERABILITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect; PROVIDED, HOWEVER, that if any one or more of the terms contained in Sections 5(i), 7 or 8 hereto shall for any reason be held to be excessively broad with regard to time, duration, geographic scope or activity, that term shall not be deleted but shall be reformed and constructed in a manner to enable it to be enforced to the extent compatible with applicable law.

12. ASSIGNMENT. This Agreement may not be assigned by the Executive, but may be assigned by the Company to any successor to its business and will inure to the benefit and be binding upon any such successor.

13. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. HEADINGS. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

15. CHOICE OF LAW. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Illinois (without reference to the choice of law provisions of Illinois law), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to

those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.

16. LIMITATION ON LIABILITIES. If the Executive is awarded any damages as compensation for any breach or action related to this Agreement, a breach of any

covenant contained in this Agreement (whether express or implied by either law or fact), or any other cause of action based in whole or in part on any breach of any provision of this Agreement, such damages shall be limited to contractual damages and shall exclude (i) punitive damages, and (ii) consequential and/or incidental damages (E.G., lost profits and other indirect or speculative damages). The maximum amount of damages that the Executive may recover for any reason shall be the amount equal to all amounts (including the value of any benefits) owed (but not yet paid) to the Executive pursuant to this Agreement through its natural term or through any Severance Period.

17. ENTIRE AGREEMENT. This Agreement contains the entire agreement and understanding between the Company and the Executive with respect to the employment of the Executive by the Company as contemplated hereby, and no representations, promises, agreements or understandings, written or oral, not herein contained shall be of any force or effect. This Agreement shall not be changed unless in writing and signed by both the Executive and the Board of Directors of the Company.

18. THE EXECUTIVE'S ACKNOWLEDGMENT. The Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

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IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date and year first above written.

INTERNATIONAL LOGISTICS LIMITED

/s/ Michael B. Lenard

-----  
Name: Michael B. Lenard  
Title: President

EXECUTIVE

/s/ Roger E. Payton

-----  
Roger E. Payton

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EXHIBIT A TO EMPLOYMENT AGREEMENT



## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "AGREEMENT") is dated as of \_\_\_\_\_, between International Logistics Limited, a Delaware corporation (the "COMPANY"), and \_\_\_\_\_ (the "EXECUTIVE").

1. EMPLOYMENT. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to be employed by the Company, on the terms and conditions set forth herein.

2. TERM. The employment of the Executive by the Company as provided in Section 1 will commence on the date hereof and terminate at 12:01 a.m. on \_\_\_\_\_ (the "EXPIRATION DATE") unless sooner terminated as hereinafter provided (such period, the "EMPLOYMENT PERIOD"). No later than \_\_\_\_\_, the Company shall provide the Executive with written notice as to whether (a) the Company intends to renew the Agreement (including proposed terms for such renewal which the Executive may accept, reject or negotiate, at his discretion), or (b) the Agreement will be terminated at the conclusion of the Employment Period.

### 3. POSITION, DUTIES AND RESPONSIBILITIES.

(a) POSITION. The Executive hereby agrees to serve as \_\_\_\_\_ of the Company. The Executive shall devote his best efforts and his full business time and attention to the performance of services to the Company in his capacity as an officer thereof and as may reasonably be requested by the Board of Directors of the Company (the "BOARD"). The Company shall retain full direction and control of the means and methods by which the Executive performs the above services.

(b) PLACE OF EMPLOYMENT. Unless the parties agree otherwise in writing, during the term of this Agreement, the Executive shall perform the services required by this Agreement at the offices of \_\_\_\_\_, or at such other location(s) as may be prescribed by the Company; PROVIDED, HOWEVER, that no sooner than eighteen months and no later than 24 months from the date of this Agreement, the Executive shall perform the services required by this Agreement at the Company's principal offices in Hillside, Illinois. It is agreed that the Executive will be prepared to travel extensively in support of the companies objectives and while based at \_\_\_\_\_ will be expected to travel Tuesday through Thursday on a weekly basis.

(c) OTHER ACTIVITIES. Except with the prior written approval of the Board (which the Board may grant or withhold in its sole discretion), the Executive, during the

Employment Period, will not (i) accept any other employment, (ii) serve on the board of directors or similar body of any other business entity, or (iii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place in a competing position to, that of the Company or any of its affiliates.

#### 4. COMPENSATION AND RELATED MATTERS.

(a) SALARY. During the Employment Period, the Company shall pay the Executive a salary of not less than \$\_\_\_\_\_ per year, to be paid consistent with the standard payroll practices of the Company (E.G., timing of payments and standard employee deductions, such as income tax withholdings, social security, etc.).

(b) BUSINESS EXPENSES. The Company shall reimburse the Executive in connection with the conduct of the Company's business upon presentation of sufficient evidence of such expenditures consistent with the Company's policies as in place from time to time.

(c) OTHER BENEFITS. The Executive shall be entitled to participate in or receive health, welfare, life insurance in the amount of \$\_\_\_\_\_, long-term disability insurance, bonus plan, 401(k), non-qualified plan and similar benefits as the Company provides generally from time to time to its executives. Nothing herein, however, is intended, or shall be construed to require the Company to institute or continue any, or any particular, plan or benefits.

(d) BONUS. The Executive shall have the opportunity to receive additional performance-based cash bonus compensation (the "Cash Incentive Compensation") of up to \_\_\_\_\_ percent (\_\_\_%) of the Executive's annual salary for each fiscal year upon the satisfaction of certain financial targets, based on the targets agreed by the Board for ILL and consistent with those agreed for the Chief Executive Officer and other clearly defined management objectives (the "Cash Incentive Objectives") to be agreed upon annually between the Executive and the Company. For the Company's 1997 fiscal year, the Cash Incentive Objectives shall be agreed upon within thirty (30) days of the date hereof, and, for each subsequent fiscal year, the Cash Incentive Objectives shall be agreed upon no later than thirty (30) days following the commencement of such fiscal year. In addition, the Executive shall have the opportunity to receive additional performance-based equity compensation (the "Equity Incentive Compensation") each fiscal year consisting of warrants to purchase up to \_\_\_\_\_ shares of the Company's common stock upon the satisfaction of certain financial and strategic targets (the "Equity Incentive Objectives") to be

agreed upon annually between the Executive and the Company. For the

Company's 1997 fiscal year, the Equity Incentive Objectives shall be agreed upon within sixty (60) days of the date hereof, and, for each subsequent fiscal year, the Equity Incentive Objectives shall be agreed upon no later than thirty (30) days following the commencement of such fiscal year. If the Equity Incentive Objectives are not fully achieved for any fiscal year, then no Equity Incentive Compensation shall be due or payable to the Executive unless the Board, in its sole discretion, chooses to grant all or any part of such Equity Incentive Compensation to the Executive (it being understood that the Board shall be under no obligation to make any such grant). The warrants vest on issuance and will be issued subject to the price and other customary terms set forth in the warrant agreement with respect thereto and will also be subject (as will any equity received upon warrant exercise) to a subscription agreement executed by the Executive and the Company in connection with such issuance containing investor representations, buy-back provisions and other customary terms. With respect to the terms and conditions of the Executive's purchase and ownership of any such warrants, anything in this Agreement to the contrary notwithstanding, the parties hereto intend that all of the terms, conditions and provisions of the subscription agreement, with respect to the Executive's purchase and ownership of any such warrants, shall remain in full force and effect. To the extent that this Agreement is deemed to be inconsistent in any way with the subscription agreement regarding the terms and conditions of the Executive's purchase and ownership of any such warrants, then the terms, conditions and provisions of the subscription agreement shall prevail to the extent of such inconsistency. Such cash and equity incentives will be paid in accordance with standard company policy and in any event no later than March 15 following the end of each fiscal year.

(e) AUTOMOBILE. The Company shall provide the Executive with an annual automobile allowance of \$12,000, payable in equal installments on a monthly basis.

(f) VACATION. The Executive will be entitled to four vacation weeks in each calendar year. The Executive will be entitled to all Company holidays.

(g) WARRANTS. The Company shall provide the Executive with warrants for \_\_\_\_\_ shares of Company stock. The warrants will be issued with an exercise strike price of \$\_\_ and shall be subject to increases in strike price, vesting and other customary terms set forth in the warrant agreement with respect thereto and will also be subject (as will any equity received upon warrant exercise) to a subscription agreement executed by the Executive and the Company in connection with such issuance containing investor representations, buy-back provisions and other customary terms. With respect to the terms and conditions of the

Executive's purchase and ownership of any such warrants, anything in this Agreement to the contrary notwithstanding, the parties hereto intend that all

of the terms, conditions and provisions of the subscription agreement, with respect to the Executive's purchase and ownership of any such warrants, shall remain in full force and effect. To the extent that this Agreement is deemed to be inconsistent in any way with the subscription agreement regarding the terms and conditions of the Executive's purchase and ownership of any such warrants, then the terms, conditions and provisions of the subscription agreement shall prevail to the extent of such inconsistency.

With respect to any warrants issued to the Executive pursuant to this Section 4(g), the Company will use its best reasonable efforts to cause the warrants (or their equivalents) to be issued such that the Executive shall have no liability for income taxes upon the vesting of such warrants. In the event that the Internal Revenue Service determines that the vesting of the warrants results in an income tax liability to the Executive, the Company shall reimburse the Executive for any such income taxes and the interest and penalties relating thereto but only to the extent that such taxes, interest and penalties would not have otherwise been incurred or imposed upon the ultimate sale or disposition by the Executive of such warrants or the shares exercisable therefore. If, upon the vesting of the warrants issued to the Executive pursuant to this Section 4(g), (i) the Executive is determined by the Internal Revenue Service to be liable for any income taxes and (ii) such income taxes, if not then due and payable by the Executive, would be due and payable by the Executive upon the ultimate sale or disposition by the Executive of such warrants or the shares exercisable thereunder, then the Company will lend the Executive the amount necessary to presently pay such income taxes and any interest or penalties assessed to the Executive in connection therewith. Such loan by the Company shall be secured by a promissory note delivered by the Executive at the time of such loan and payable to the Company. The promissory note will (i) be secured by the warrants issued to the Executive pursuant to this Section 4(g) and the shares exercisable thereunder, (ii) have a face value identical to the amount of such loan, (iii) incur interest at a rate of five percent (5%) per year accruing annually, (iv) become due and payable immediately upon any sale or other disposition by the Executive, whether in whole or in part, of such warrant or the shares exercisable thereunder.

(h) RELOCATION EXPENSES. In connection with the Executive's relocation to the Hillside, Illinois area, the Executive shall be entitled to reimbursement for (i) the reasonable expenses for moving household goods by the Executive in connection with the Executive's relocation to the Hillside, Illinois area, (ii) the customary commission paid by the Executive in connection with the sale of his current, primary residence, (iii) the

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customary commission paid by the Executive in connection with the purchase of a residence in the Hillside, Illinois area and surrounding vicinity (within 50 miles), (iv) financing fees, up to one and one half points, in connection with the Executive's purchase of a residence in the Hillside, Illinois area, (v) the customary and reasonable costs of appraisals paid by the Executive in



connection with the sale of his current, primary residence and the purchase of a residence in the Hillside, Illinois area, and (vi) reasonable travel expenses incurred by the Executive for the transportation of the Executive and his immediate family for house hunting trips and from the Executive's current, primary residence to the Executive's new residence in the Hillside, Illinois area. If necessary, the Company shall purchase the Executive's current residence at its fair market value pursuant to the terms of that certain Prudential Resources Management Relocation Agreement by and between the Company and Prudential Residential Services, Limited Partnership. Except as set forth above, the Executive will bear all expenses, costs and capital losses associated with his relocation.

(i) The Company shall provide the Executive with the necessary office equipment including laptop PC, cellular phone, pager and fax machine for home use. The Executive shall reimburse the Company for all non-business calls made on Company equipment and the Company shall reimburse the Executive for all business calls made on personal phone lines.

(j) The Executive shall be entitled to purchase up to \$\_\_\_\_\_ of ILL Stock at \$\_\_ per share within 90 days of commencing employment.

5. TERMINATION. The Executive's employment hereunder shall be or may be terminated, as the case may be, under the following circumstances:

(a) DEATH. The Executive's employment hereunder shall terminate upon his death.

(b) DISABILITY. The Executive's employment hereunder shall terminate upon the Executive's physical or mental disability or infirmity which, in the opinion of a competent physician selected by the Board, renders the Executive unable to perform his duties under this Agreement for more than 90 days during any 180-day period.

(c) CAUSE. The Company may terminate the Executive's employment hereunder for "CAUSE" by delivery of written notice to the Executive concerning the same. Cause shall mean (i) Executive's material breach of any of the covenants made by him in Sections 3(a), 3(c), 7 and 8 of this Agreement, (ii) his conviction of a crime involving moral turpitude or constituting a

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felony under the laws of any state, the District of Columbia or of the United States, (iii) his misconduct in the performance of his duties hereunder, including without limitation, his willful failure or refusal to carry out any proper direction by the Board with respect to the services to be rendered by him hereunder or the manner of rendering such services or his habitual neglect of his duties as an officer of the Company, which misconduct or neglect, if capable of cure, shall continue for thirty (30) days after receipt of written notice from the Company, or (iv) his engaging in any

material misconduct, dishonesty, misappropriation of the assets of the Company, its equity holders or any of its or their, as the case may be, affiliates, or any negligent acts, in each case, detrimental in any material respect to any of the foregoing.

(d) EMPLOYMENT-AT-WILL. The Executive hereby agrees that the Company may dismiss him under this Section 5 without regard (i) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (ii) to any statements made to the Executive, whether made orally or contained in any document, pertaining to the Executive's relationship with the Company. Notwithstanding anything to the contrary contained herein, including in Section 2 of this Agreement, the Executive's employment with the Company is not for any specified term and may be terminated by the Company at any time, for any reason, with or without cause, without liability except with respect to the payments provided for by Section 6.

(e) VOLUNTARY RESIGNATION. The Executive may voluntarily resign his position and terminate his employment with the Company at any time by delivery of a written notice of resignation to the Company (the "NOTICE OF RESIGNATION"). The Notice of Resignation shall set forth the date such resignation shall become effective (the "DATE OF RESIGNATION"), which date shall, in any event, be no more than thirty days from the date the Notice of Resignation is delivered to the Company.

(f) CONSTRUCTIVE DISCHARGE. The Executive may regard his employment as being constructively terminated by the Company and may resign his position by delivery of Notice of Resignation as described in Section 5(e) above if there has been a substantial diminution in the Executive's duties and responsibilities with the Company since the date of this Agreement (a "CONSTRUCTIVE DISCHARGE").

(g) NOTICE. Any termination of the Executive's employment by the Company shall be communicated by written Notice of Termination to the Executive. For purposes of this Agreement, a "NOTICE OF TERMINATION" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and

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circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(h) "DATE OF TERMINATION" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated by reason of his disability, the date of the opinion of the physician referred to in Section 5(b), above, (iii) if the Executive's employment is terminated pursuant to subsection (c) above, or without cause by the Company, the date specified in the Notice of Termination, and (iv) if the Executive resigns, the Date of Resignation.

(i) TERMINATION OBLIGATIONS.

(i) The Executive hereby acknowledges and agrees that all personal property and equipment furnished to or prepared by the Executive in the course of or incident to his employment, belongs to the Company and shall be promptly returned to the Company upon termination of the Employment Period. "PERSONAL PROPERTY" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), and all other proprietary information relating to the business of the Company. Following termination, the Executive will not retain any written or other tangible material containing any proprietary information of the Company.

(ii) Upon termination of the Employment Period, the Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any affiliate.

(iii) The representations and warranties contained herein and the Executive's obligations under Sections 5(h), 7, 8, 9 and 15 shall survive termination of the Employment Period and the expiration of this Agreement.

6. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(a) DISABILITY. During any period that the Executive fails to perform his duties hereunder as a result of disability due to physical or mental illness, the Executive shall continue to receive the salary payable to the Executive pursuant to and in accordance with the terms of Section 4(a) hereof until his employment is terminated pursuant to Section 5(b) hereof, provided that payments so made to the Executive during the first 90 days of the disability shall be reduced by the sum of the amounts, if any, payable to the Executive at or prior to the time of any such payment under any disability benefit plan of the Company. In the

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event that the Cash Incentive Objectives are met at the end of the fiscal year in which the Executive is terminated, the Company shall also pay to the Executive, within thirty (30) days after receipt by the Company of the audited financial statements for such fiscal year and confirmation that the Cash Incentive Objectives have been met, a proportionate share of the Cash Incentive Compensation due to the Executive for such fiscal year based upon the percent of the fiscal year that the Executive worked for the Company prior to such termination. In addition, the Company shall keep in force existing health insurance covering the Executive and his dependents for a period of one (1) year from Date of Termination on the basis in effect at the date of the termination of the Executive's employment, subject to the Company's right to amend, modify or terminate any such plan. The Executive

and his dependents shall also be entitled to any continuation of coverage rights under any applicable law,

(b) DEATH. If the Executive's employment shall be terminated by reason of the Executive's death, the Company shall pay the Executive his salary through the Date of Termination and the Executive's beneficiaries shall be entitled to receive any benefits due to them as a result of any life insurance policy the Executive receives pursuant to Section 4(c) of this Agreement. In the event that the Cash Incentive Objectives are met at the end of the fiscal year in which the Executive is terminated, the Company shall also pay to the Executive, within thirty (30) days after receipt by the Company of the audited financial statements for such fiscal year and confirmation that the Cash Incentive Objectives have been met, a proportionate share of the Cash Incentive Compensation due to the Executive for such fiscal year based upon the percent of the fiscal year that the Executive worked for the Company prior to such termination. In addition, the Company shall keep in force existing health insurance covering the Executive's dependents for a period of one (1) year from Date of Termination on the basis in effect at the date of the termination of the Executive's employment, subject to the Company's right to amend, modify or terminate any such plan. The Executive and his dependents shall also be entitled to any continuation of coverage rights under any applicable law.

(c) CAUSE. If the Executive's employment shall be terminated for cause pursuant to Section 5(c) hereof, the Company shall pay the Executive his salary through the Date of Termination. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights under any applicable law.

(d) OTHER TERMINATIONS BY THE COMPANY. If the Company shall terminate the Executive's employment without cause pursuant to Section 5(d) hereof or if there has been a Constructive Discharge pursuant to Section 5(f) hereof, the Company shall pay

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the Executive the salary payable to the Executive pursuant to and in accordance with Section 4(a) hereof through the Expiration Date. The Company shall also pay to the Executive, within thirty (30) days after the Date of Termination, a proportionate share of the Cash Incentive Compensation due to the Executive for the fiscal year in which the Date of Termination has occurred based upon the percent of the fiscal year that the Executive worked for the Company prior to such termination. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights under any applicable law. In addition, the Company shall keep in force existing health insurance covering the Executive's dependents through the Expiration Date on the basis in effect at the date of the termination of the Executive's employment, subject to the Company's right to amend, modify or terminate any such plan. The Executive and his dependents shall also be entitled to any continuation of coverage rights under any applicable law.

(e) VOLUNTARY RESIGNATION. If the Executive terminates his employment with the Company pursuant to Section 5(e) hereof, the Company shall pay the Executive the salary payable to the Executive pursuant to and in accordance with the provisions of Section 4(a) hereof through the Date of Resignation. The Executive and his dependents shall also be entitled to any continuation of health insurance coverage rights under any applicable law.

7. CONFIDENTIALITY AND NON-SOLICITATION COVENANTS.

(a) CONFIDENTIALITY. In addition to the agreements set forth in Section 5(h)(i), the Executive hereby agrees that the Executive will not, during the Employment Period or any period thereafter, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). The Executive agrees that, upon termination of his employment with the Company, all Confidential Information in his possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by the Executive or furnished to any third party, in any form except as provided herein; PROVIDED, HOWEVER, that the Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to the Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity or (iii) is lawfully disclosed to the Executive by a third party. As used in this Agreement the term "CONFIDENTIAL INFORMATION" means: information disclosed to the Executive or known by the Executive as a consequence of or through his relationship with the Company, about the customers, employees,

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business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists of the Company and its affiliates.

(b) NON-SOLICITATION. In addition, the Executive hereby agrees that (A) during the Employment Period and any period of time for which salary is obligated to be paid to the Executive pursuant to and in accordance with the terms of Section 6 (any such period referred to herein as the "SEVERANCE PERIOD") or (B) during the Employment Period and for one year thereafter, whichever period is longer, the Executive will not, either on his own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, (i) carry on or be engaged or interested directly or indirectly in, or solicit, the sale of physical logistics services to any person, firm or corporation which, at any time during the Employment Period has been or is a customer of or in the habit of dealing with the Company in its business, (ii) endeavor directly or

indirectly to canvas or solicit in competition with Company or to interfere with the supply of orders for goods or services from or by any person, firm or corporation which during the Employment Period has been or is a supplier of goods or services to Company or (iii) directly or indirectly solicit or attempt to solicit away from Company any of its officers or employees or offer employment to any person who, on or during the six months immediately preceding the date of such solicitation or offer, is or was an officer or employee of Company.

8. COVENANT NOT TO COMPETE. The Executive agrees that (A) during the Employment Period and the Severance Period or (B) during the Employment Period and for one year thereafter, whichever period is longer, he will not directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected as a director, officer, employee, partner, consultant or otherwise with, any profit or non-profit business or organization which, directly or indirectly, competes with, or in any way interferes with, the business of physical logistics services provided by the Company or any of its affiliates, in any part of North America.

9. INJUNCTIVE RELIEF AND ENFORCEMENT. In the event of breach by the Executive of the terms of Sections 5(h)(i), 7 or 8, the Company shall be entitled to institute legal proceedings to obtain damages for any such breach, or to enforce the specific performance of this Agreement by the Executive and to enjoin the Executive from any further violation of Sections 5(h)(i), 7 or 8 and to exercise such remedies cumulatively or in conjunction with all other rights and remedies provided by law. The Executive acknowledges, however, that the remedies at law for any breach by him of the provisions of Sections 5(h)(i), 7 or 8 may be inadequate. In addition, in the event the agreements set forth in

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Sections 5(h)(i), 7 or 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time or over too great a geographical area or by reason of being too extensive in any other respect, each such agreement shall be interpreted to extend over the maximum period of time for which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable, and enforced as so interpreted, all as determined by such court in such action.

10. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered when transmitted by telecopy with receipt confirmed, or one day after delivery to an overnight air courier guaranteeing next day delivery, addressed as follows:

If to the Executive:

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If to the Company: International Logistics Limited  
330 South Mannheim Road  
Hillside, Illinois 60162  
Attention: Roger E. Payton

With a copy to:

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or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. SEVERABILITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect; PROVIDED, HOWEVER, that if any one or more of the terms contained in Sections 5(h), 7 or 8 hereto shall for any reason be held to be excessively broad with regard to time, duration, geographic scope or activity, that term shall not be deleted but shall be reformed and constructed in a manner to enable it to be enforced to the extent compatible with applicable law.

12. ASSIGNMENT. This Agreement may not be assigned by the Executive, but may be assigned by the Company to any successor to its business and will inure to the benefit and be binding upon any such successor.

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13. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. HEADINGS. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

15. CHOICE OF LAW. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Illinois (without reference to the choice of law provisions of Illinois law), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.



16. ARBITRATION. Notwithstanding anything herein to the contrary, in the event that there shall be a dispute among the parties arising out of or relating to this Agreement, or the breach thereof, the parties agree that such dispute shall be resolved by final and binding arbitration in Chicago, Illinois, administered by AAA, in accordance with AAA's Commercial Arbitration Rules then in effect. Depositions may be taken and other discovery may be obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings. Any award issued as a result of such arbitration shall be final and binding between the parties thereto, and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The fees and expenses of such arbitration (including reasonable attorneys' fees) or any action to enforce an arbitration award shall be paid by the party that does not prevail in such arbitration.

17. LIMITATION ON LIABILITIES. If the Executive is awarded any damages as compensation for any breach or action related to this Agreement, a breach of any covenant contained in this Agreement (whether express or implied by either law or fact), or any other cause of action based in whole or in part on any breach of any provision of this Agreement, such damages shall be limited to contractual damages and shall exclude (i) punitive damages, and (ii) consequential and/or incidental damages (E.G., lost profits and other indirect or speculative damages). The maximum amount of damages that the Executive may recover for any reason shall be the amount equal to all amounts owed (but not yet paid) to the Executive pursuant to this Agreement through its natural term or through any Severance Period.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement and understanding between the Company and the

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Executive with respect to the employment of the Executive by the Company as contemplated hereby, and this Agreement supersedes all prior agreements, understandings, representations, promises, negotiations and discussions, whether written or oral. This Agreement shall not be changed unless in writing and signed by both the Executive and the Board of Directors of the Company.

19. THE EXECUTIVE'S ACKNOWLEDGMENT. The Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

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IN WITNESS WHEREOF, the parties have executed this Employment



Agreement as of the date and year first above written.

INTERNATIONAL LOGISTICS LIMITED

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Name: Roger E. Payton  
Title: Chief Executive Officer

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SECURED PROMISSORY NOTE

\$150,240.00

FOR VALUE RECEIVED, the undersigned, Roger E. Payton ("Borrower") promises to pay to the order of INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation ("Holder"), at its offices at 330 South Mannheim Road, Hillside, Illinois 60162, or at such other place as Holder may from time to time specify in writing, one hundred fifty thousand two hundred and forty dollars (\$150,240.00) in lawful money of the United States of America and in immediately available funds, together with the interest on the outstanding and unpaid portion thereof from the date hereof at the annual rate equal to eight percent (8%). The unpaid principal balance hereof, together with all unpaid interest accrued thereon, shall be due and payable in full on April 30, 2000.

Borrower agrees to make payments to Holder in respect of unpaid principal and interest hereon on the 1st and 15th day of each month, each of which payments shall be in the amount of \$625 during the period beginning on October 1, 1997 and ending on December 31, 1997 and in the amount of \$1,650 during the period beginning on January 1, 1998 and ending on April 30, 2000. Borrower further agrees that, in the event any cash distribution or cash dividend is made in respect of the shares of International Logistics Limited common stock that are subject to that certain Pledge Agreement dated as of even date herewith, Borrower shall make a mandatory prepayment of unpaid principal and accrued and unpaid interest hereon by immediately remitting to Holder the lesser of (a) 80% of the excess of (i) the aggregate amount of such dividend or distribution less (ii) an amount equal to the federal and state income taxes payable by Borrower with respect to such dividend or distribution and (b) the aggregate unpaid principal amount hereof plus accrued and unpaid interest. In addition, Borrower agrees that Borrower will make mandatory prepayments of principal and accrued and unpaid interest hereon immediately upon payment of any Bonus Compensation (as defined herein), which payments shall be an amount equal to the lesser of (i) 75% of such Bonus Compensation and (ii) the aggregate unpaid principal amount hereof plus accrued and unpaid interest. "Bonus Compensation" as used herein shall mean any cash compensation paid by International Logistics Limited or any of its subsidiaries to Borrower in excess of salary paid to Borrower by such entity, less an amount equal to federal and state income taxes payable by Borrower with respect to such compensation.

All payments made hereunder shall be applied first to accrued and unpaid interest and the remainder to principal. The undersigned shall have the right and option to prepay this Promissory Note at any time without penalty, together with interest to the date of prepayment accrued on the amount prepaid.

In the event that the Borrower ceases to be an employee of the Holder or

any of its subsidiaries for any reason, then all the remaining indebtedness due under this Promissory Note shall, at the option of Holder, become immediately due and payable without demand or notice. Interest shall continue to accrue on the unpaid balance of this Promissory Note after the

scheduled or any accelerated maturity of this Promissory Note at the rate of interest stated in this Promissory Note until the entire principal has been paid in full.

In the event that this Promissory Note is placed in the hands of an attorney for collection, for protection or preservation of the rights of Holder, for suit, or to compromise or take any other action with regard thereto, the undersigned agrees to pay all costs and expenses relating thereto, including the reasonable fees of said attorney.

To the extent allowed by law, the undersigned hereby waives presentment, demand for payment, notice of dishonor, protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Promissory Note.

Holder shall not by any act of omission or commission be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by an authorized officer of Holder and then only to the extent specifically set forth therein. A waiver on one occasion shall not be construed to be a continuing waiver of such right or remedy on any other occasion. All remedies conferred upon Holder by this Promissory Note shall be cumulative and none is exclusive, and such remedies may be exercised concurrently or consecutively at the option of Holder.

This Promissory Note is secured by and entitled to the benefits of that certain Pledge Agreement dated as of May 2, 1996 between Holder and Borrower (the "Pledge Agreement"). Holder hereby agrees that its rights under and in respect of this Promissory Note and any claim or liability under this Promissory Note or the Pledge Agreement shall be limited to satisfaction out of, and enforcement against, the Collateral (as defined in the Pledge Agreement).

Any provision contained in this Promissory Note which is contrary to, prohibited by or invalid under applicable laws or regulations shall be deemed omitted from this Promissory Note and shall not invalidate the remaining provisions hereof.

The form and validity of this Promissory Note and the rights and duties of the parties hereto shall be governed by the laws of the State of Illinois.

Borrower:



SECURED PROMISSORY NOTE

\$157,500

July 11, 1997

FOR VALUE RECEIVED, the undersigned, Luis F. Solis ("Borrower") promises to pay to the order of INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation ("Holder"), at its offices at 330 South Mannheim Road, Hillside, Illinois 60162, or at such other place as Holder may from time to time specify in writing, \$157,500 in lawful money of the United States of America and in immediately available funds, together with the interest on the outstanding and unpaid portion thereof from the date hereof at the annual rate equal to ten percent (10%). The unpaid principal balance hereof, together with all unpaid interest accrued thereon, shall be due and payable in full on March 1, 1998.

Borrower agrees that, in the event any cash distribution or cash dividend is made in respect of the shares of International Logistics Limited common stock that are subject to that certain Pledge Agreement dated as of even date herewith, Borrower shall make a mandatory prepayment of unpaid principal and accrued and unpaid interest hereon by remitting to Holder the lesser of (a) the excess of (i) the aggregate amount of such dividend or distribution less (ii) an amount equal to the federal and state income taxes payable by Borrower with respect to such dividend or distribution and (b) the aggregate unpaid principal amount hereof plus accrued and unpaid interest. All payments made hereunder shall be applied first to accrued and unpaid interest and the remainder to principal. The undersigned shall have the right and option to prepay this Promissory Note at any time without penalty, together with interest to the date of prepayment accrued on the amount prepaid.

In the event that the Borrower ceases to be an employee of the Holder or any of its subsidiaries for any reason, then all the remaining indebtedness due under this Promissory Note shall, at the option of Holder, become immediately due and payable without demand or notice. Interest shall continue to accrue on the unpaid balance of this Promissory Note after the scheduled or any accelerated maturity of this Promissory Note at the rate of interest stated in this Promissory Note until the entire principal has been paid in full.

In the event that this Promissory Note is placed in the hands of an attorney for collection, for protection or preservation of the rights of Holder, for suit, or to compromise or take any other action with regard thereto, the undersigned agrees to pay all costs and expenses relating thereto, including the reasonable fees of said attorney.

To the extent allowed by law, the undersigned hereby waives presentment, demand for payment, notice of dishonor, protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Promissory Note and hereby

consents to any modification or indulgence that may be granted or consented to by Holder in respect to the time of payment or any other provisions of this Promissory Note.

Holder shall not by any act of omission or commission be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by an authorized officer of Holder and then only to the extent specifically set forth therein. A waiver on one occasion shall not be construed to be a continuing waiver of such right or remedy on any other occasion. All remedies conferred upon Holder by this Promissory Note shall be cumulative and none is exclusive, and such remedies may be exercised concurrently or consecutively at the option of Holder.

This Promissory Note is secured by and entitled to the benefits of that certain Pledge Agreement dated as of July 11, 1997 between Holder and Borrower.

Any provision contained in this Promissory Note which is contrary to, prohibited by or invalid under applicable laws or regulations shall be deemed omitted from this Promissory Note and shall not invalidate the remaining provisions hereof.

The form and validity of this Promissory Note and the rights and duties of the parties hereto shall be governed by the laws of the State of Illinois.

Borrower:

-----  
Luis F. Solis

## PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this "AGREEMENT") dated as of June \_\_, 1997, is made between \_\_\_\_\_ (the "OBLIGOR") and International Logistics Limited, a Delaware corporation (the "COMPANY").

WHEREAS, to induce the Company to lend the Obligor the funds evidenced by the Promissory Note (as defined below) and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Obligor has agreed to pledge and grant a security interest in the Collateral as security for the Secured Obligations.

NOW, THEREFORE, in consideration of the foregoing, the Obligor agrees with the Company as follows:

### SECTION 1. DEFINITIONS AND INTERPRETATION.

1.01 CERTAIN DEFINED TERMS. The following terms shall have the following meanings under this Agreement:

"COLLATERAL" shall have the meaning assigned to that term in Section 2.01.

"DISTRIBUTIONS" shall have the meaning assigned to such term in Section 2.04.

"EVENT OF DEFAULT" shall mean (i) the failure of the Obligor to pay in full the Obligations as and when they become due and payable or (ii) the Obligor's ceasing to be employed by the Company or any of its subsidiaries for any reason.

"LIENS" shall mean, with respect to any property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or any agreement to give, or notice of, any of the foregoing.

"PLEDGED STOCK" shall have the meaning assigned to that term in Section 2.01(a).

"PROMISSORY NOTE" shall mean the Promissory Note dated \_\_\_\_\_ of the Obligor in favor of the Company, as amended from time to time.

"SECURED OBLIGATIONS" shall mean any and all obligations of the Obligor to the Company evidenced by the Promissory Note or arising under this Agreement.

"STOCK COLLATERAL" shall have the meaning assigned to that term in

"STOCKHOLDERS AGREEMENT" shall mean the Stockholders Agreement between the Company and each of the Holders listed on Exhibit A thereto, as the same may be amended from time to time.

"UNIFORM COMMERCIAL CODE" shall mean the Uniform Commercial Code as in effect in the State of Illinois from time to time or, by reason of mandatory application, any other applicable jurisdiction.

SECTION 2. COLLATERAL.

2.01 GRANT. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and performance of the Secured Obligations, the Obligor hereby pledges and grants to the Company, for the benefit of the Company, a security interest in all of the Obligor's right, title and interest in and to the following property, whether now owned or hereafter acquired by the Obligor and whether now existing or hereafter coming into existence (collectively, the "COLLATERAL"):

(a) (i) all of the shares of capital stock of the Obligor represented by the respective certificates identified in Annex 1 together with, in each case, the certificates representing the same (collectively, the "PLEDGED STOCK");

(ii) all shares, securities, moneys or property representing a dividend on, or a distribution or return of capital in respect of any of the Pledged Stock, resulting from a split-up, revision, reclassification or other like change of any of the Pledged Stock or otherwise received in exchange for any of the Pledged Stock and all equity rights issued to the holders of, or otherwise in respect of, any of the Pledged Stock; and

(iii) in the event of any consolidation or merger in which the Company is not the surviving corporation, all shares of each class of the capital stock of the successor corporation (unless such successor corporation is the Company itself) formed by or resulting from such consolidation or merger (collectively, and together with the property described in clauses (i) and (ii) above, the "STOCK COLLATERAL");

(b) all proceeds and products in whatever form of all or any part of the foregoing Collateral.

2.02 PERFECTION. Concurrently with the execution and delivery of this Agreement, the Obligor shall (i) deliver to the Company all certificates identified in Annex 1, accompanied by undated stock powers duly executed in blank and (ii) take all such other actions as shall be necessary or as the Company may



reasonably request to perfect and establish the priority of the Liens granted by this Agreement.

2.03 PRESERVATION AND PROTECTION OF SECURITY INTERESTS. The Obligor shall give, execute, deliver, file or record any and all financing statements, notices, contracts, agreements or other instruments, obtain any and all governmental approvals and take any and all steps that may be necessary or as the Company may reasonably request to create, perfect, establish the priority of, or to preserve the validity, perfection or priority of, the Liens granted by this Agreement or to enable the Company to exercise and enforce its rights, remedies, powers and privileges under this Agreement with respect to such Liens. The Company shall be entitled to reflect the Lien of this Agreement in its stock records and to refuse to recognize any transfer of the Stock Collateral not in accordance with this Agreement.

2.04 DISTRIBUTIONS. The proceeds from all cash dividends or other cash distributions on the Collateral and any proceeds from the sale of all or any part of the Obligor's interest therein (the "DISTRIBUTIONS") shall be paid directly to the Company. Any Distributions shall first be applied to the unpaid accrued interest then due on the Promissory Note and then to reduce the outstanding principal balance of the Promissory Note.

2.05 ATTORNEY-IN-FACT. Subject to the rights of the Obligor under Section 2.06, the Company is hereby appointed the attorney-in-fact of the Obligor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which the Company may deem necessary or advisable to accomplish the purposes of this Agreement, to preserve the validity, perfection and priority of the Liens granted by this Agreement and, following any Event of Default, to exercise its rights, remedies, powers and privileges under this Agreement. This appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Company shall be entitled under this Agreement upon the occurrence and continuation of any Event of Default (i) to ask, demand, collect, sue for, recover, receive and give receipt and discharge for amounts due and to become due under and in respect of all or any part of the Collateral; (ii) to receive, endorse and collect any drafts, instruments, documents and chattel paper in connection with clause (i) above; (iii) to file any claims or take any action or proceeding that the Company may deem necessary or advisable for the collection of all or any part of the Collateral; and (iv) to execute, in connection with any sale or disposition of the collateral under Section 5, any endorsements, assignments, bills of sale or other instruments of conveyance or transfer with respect to all or any part of the Collateral.

2.06 SPECIAL PROVISIONS RELATING TO STOCK COLLATERAL. So long as no Event of Default shall have occurred and be continuing, the Obligor shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral for all purposes not inconsistent with the terms of this Agreement or the Stockholders Agreement; and the Company shall, at the Obligor's expense, execute and deliver to the Obligor or cause to be executed and delivered to the Obligor all such proxies, powers of attorney, dividend and other orders and other instruments, without recourse, as the Obligor may reasonably request for the purpose of enabling the Obligor to exercise the rights and powers which it is entitled to exercise pursuant to this Section 2.06.

#### 2.07 RIGHTS AND OBLIGATIONS.

(a) No reference in this Agreement to proceeds or to the sale or other disposition of Collateral shall authorize the Obligor to sell or otherwise dispose of any Collateral except to the extent otherwise expressly permitted by the terms of the Stockholders Agreement.

(b) The Company shall not be required to take steps necessary to preserve any rights against prior parties as to any part of the Collateral.

2.08 TERMINATION. On the date when all Secured Obligations shall have been paid in full, this Agreement shall terminate, and the Company shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect of the Collateral, to or on the order of the Obligor or as required by applicable law or court order.

2.09 RIGHT TO SET OFF. The Obligor acknowledges that under the Company's Employee Stock Purchase Plan II (the "PLAN") the Company has the option to repurchase (the "CALL OPTION") the Stock Collateral and the Obligor has the option to sell (the "PUT OPTION") to the Company the Stock Collateral if the Obligor's employment with the Company or its subsidiaries is terminated for any reason and further agrees and acknowledges that the Company may set off any amounts payable to the Obligor upon exercise of the Call Option or the Put Option against any and all unpaid principal and accrued interest payable by the Obligor under the Promissory Note.

3. REPRESENTATIONS AND WARRANTIES. As of the date hereof and as of the date of the delivery of the Collateral, the Obligor represents and warrants to the Company as follows:

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3.01 TITLE. The Obligor is the sole beneficial owner of the Collateral, and such Collateral is free and clear of all Liens except the Lien of this Agreement. The Liens granted by this Agreement in favor of the Company for the benefit of the Company have attached and constitute a

perfected security interest in all of such Collateral prior to all other Liens.

3.02 PLEDGED STOCK. The Pledged Stock evidenced by the certificates identified in Annex 1 is duly authorized, validly existing, fully paid and nonassessable.

#### SECTION 4. COVENANTS.

4.01 SALES AND OTHER LIENS. Without the prior written consent of the Company, the Obligor shall not dispose of any Collateral, create, incur, assume or suffer to exist any Lien upon any Collateral or file or suffer to be on file or authorize to be filed, in any jurisdiction, any financing statement or like instrument with respect to all or any part of the Collateral.

4.02 FURTHER ASSURANCES. The Obligor agrees that, from time to time upon the written request of the Company, the Obligor will execute and deliver such further documents and do such other acts and things as the Company may reasonably request in order fully to effect the purposes of this Agreement.

#### SECTION 5. REMEDIES.

5.01 EVENTS OF DEFAULT, ETC. If any Event of Default shall have occurred and be continuing:

(a) The Company in its discretion may, in its name or in the name of the Obligor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for all or any part of the Collateral, but shall be under no obligation to do so;

(b) the Company in its discretion may, upon ten business days' prior written notice (or such lesser notice as is provided by applicable law) to the Obligor of the time and place, with respect to all or any part of the Collateral which shall then be or shall thereafter come into the possession, custody or control of the Company or any of its assigns, sell, lease or otherwise dispose of all or any part of such Collateral, at such place or places as the Company deems best, for cash, for credit or for future delivery (without thereby assuming any credit risk) and at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place of any such sale (except such notice as is required above or by applicable statute and cannot be waived), and the Company or any of its assigns may be the purchaser, lessee or recipient

of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same

absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligor, any such demand, notice and right or equity being hereby expressly waived and released. The Company may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(c) the Company shall have, and in its discretion may exercise, all of the rights, remedies, powers and privileges with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where such rights, remedies, powers and privileges are asserted) and such additional rights, remedies, powers and privileges to which a secured party is entitled under the laws in effect in any jurisdiction where any rights, remedies, powers and privileges in respect of this Agreement or the Collateral may be asserted, including the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Company were the sole and absolute owner of the Collateral (and the Obligor agrees to take all such action as may be appropriate to give effect to such right).

The proceeds of, and other realization upon, the Collateral by virtue of the exercise of remedies under this Section 5.01 shall be applied in accordance with Section 5.03.

## 5.02 PRIVATE SALE.

(a) Neither the Company nor any of its assigns shall incur any liability as a result of the sale, lease or other disposition of all or any part of the Collateral at any private sale pursuant to Section 5.01 conducted in a commercially reasonable manner. The Obligor hereby waives any claims against the Company or its assigns arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Company accepts the first offer received and does not offer the Collateral to more than one offeree.

(b) The Obligor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Company or its assigns

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may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to distribution or resale. The Obligor acknowledges that any such

private sales may be at prices and on terms less favorable to the Company or its assigns than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Company or its assigns shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the Company to register it for public sale.

5.03 APPLICATION OF PROCEEDS. Except as otherwise expressly provided in this Agreement and except as provided below in this Section 5.03, the proceeds of, or other realization upon, all or any part of the Collateral by virtue of the exercise of remedies under Section 5.01, and any other cash at the time held by the Company under this Section 5, shall be applied by the Company:

FIRST, to the payment of the costs and expenses of such exercise of remedies, including reasonable out-of-pocket costs and expenses of the Company, the fees and expenses of its agents and counsel and all other expenses incurred and advances made by the Company in that connection;

NEXT, to the payment in full of the remaining Secured Obligations; and

FINALLY, to the payment to the Obligor, or its respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 5, "PROCEEDS" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any property received under any bankruptcy, reorganization or other similar proceeding as to the Obligor or any issuer of, or account debtor or other obligor on, any of the Collateral.

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## SECTION 6. MISCELLANEOUS.

6.01 WAIVER. No failure on the part of the Company or its assigns to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Agreement shall operate as a waiver of such right, remedy, power or privilege, nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of any such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided in this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

6.02 NOTICES. All notices and communications to be given under this Agreement shall be given or made in writing to the intended recipient at

the address specified below or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case, given or addressed as provided in this Section 6.02:

To the Obligor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To the Company:

International Logistics Limited  
330 S. Mannheim Road  
Hillside, IL 60162  
Attention: Chief Financial Officer

with a copy to:

Milbank, Tweed, Hadley & McCloy  
601 S. Figueroa St., Suite 3100  
Los Angeles, CA 90017  
Attention: Eric H. Schunk, Esq.

6.03 EXPENSES, ETC. The Obligor agrees to pay or to reimburse the Company or its assigns for all costs and expenses (including reasonable attorney's fees and expenses) that may be incurred by the Company or its assigns in any effort to enforce any of the provisions of Section 5 or any of the obligations of the Obligor in respect of the Collateral or in connection with (a) the preservation of the Lien of, or the rights of the Company under this Agreement or (b) any actual or attempted sale, lease, disposition, exchange, collection, compromise, settlement or other realization in respect of, or care of, the Collateral,

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including all such costs and expenses (and reasonable attorney's fees and expenses) incurred in any bankruptcy, reorganization, workout or other similar proceeding.

6.04 AMENDMENTS, ETC. Any provision of this Agreement may be modified, supplemented or waived only by an instrument in writing duly executed by the Obligor and the Company. Any such modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon the Company, each holder of any of the Secured Obligations and the Obligor, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

6.05 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Obligor, the Company and each holder of

any of the Secured Obligations and their respective successors and permitted assigns. The Obligor shall not assign or transfer its rights under this Agreement without the prior written consent of the Company.

6.06 SURVIVAL. All representations and warranties made in this Agreement or in any certificate or other document delivered pursuant to or in connection with this Agreement shall survive the execution and delivery of this Agreement or such certificate or other document (as the case may be) or any deemed repetition of any such representation or warranty.

6.07 AGREEMENTS SUPERSEDED. This Agreement supersedes all prior agreements and understandings, written or oral, among the parties with respect to the subject matter of this Agreement.

6.08 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.09 CAPTIONS. The captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

6.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties to this Agreement may execute this Agreement by signing any such counterpart.

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6.11 GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS. THE OBLIGOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND OF ANY ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. THE OBLIGOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

6.13 WAIVER OF JURY TRIAL. THE OBLIGOR AND THE COMPANY HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

INTERNATIONAL LOGISTICS  
LIMITED, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX 1

PLEDGED STOCK

| Certificate<br>Nos. | Registered<br>Owner | Number of Shares |
|---------------------|---------------------|------------------|
| -----               | -----               | -----            |
| ---                 |                     |                  |

ANNEX 1 TO PLEDGE AGREEMENT



## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made as of the 30th day of September, 1997, between INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation (the "Company") and \_\_\_\_\_ ("Agent").

### RECITALS

1. The Certificate of Incorporation of the Company (the "Certificate") contains provisions indemnifying the Company's current and former directors, officers, employees or agents, and authorizing the Company to enter into individual indemnification agreements with any person entitled to be indemnified by the Company, without specific approval of the shareholders of the Company, subject to certain requirements as set forth in the Certificate;

2. The Bylaws of the Company (the "Bylaws") contain provisions indemnifying the Company's current and former directors, officers, or agents;

3. The Agent is currently serving as a director, officer, employee or agent of the Company;

4. The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the shareholders of the Company for the Company to provide Agent with additional assurance of protection against personal liability; and

5. This Agreement is being entered into pursuant to and in furtherance of the Certificate and the Bylaws, as authorized by the Board.

NOW, THEREFORE, in consideration of the foregoing recitals and of other good and valuable consideration, the receipt of which is acknowledged, the parties agree as follows:

#### 1. INDEMNIFICATION.

(a) The Company shall hold harmless and indemnify the Agent against any and all expenses, liabilities and losses (including, without limitation, investigation expenses and expert witnesses' and attorneys' fees and expenses, judgments, penalties, fines, ERISA excise taxes and amounts paid or to be paid in settlement) actually incurred by the Agent (net of any related insurance proceeds or other amounts received by Agent or paid by or on behalf of the Company on the Agent's behalf), in connection with any action, suit, arbitration or proceeding (or any inquiry or investigation, whether brought by or in the right of the

Company, any subsidiary or affiliate of the Company, or otherwise, that Agent in good faith believes might lead to the institution of any such action, suit, arbitration or proceeding), whether civil, criminal, administrative or investigative, or any appeal therefrom, in which the Agent is a party, is threatened to be made a party, is a witness or is participating (a "Proceeding") based upon, arising from, relating to, or by reason of the fact that Agent was a director, officer, employee or agent of the Company, whether or not arising prior to the date of this Agreement;

(b) If Agent is entitled under this Agreement to indemnification by the Company for some or a portion of the Indemnified Amounts (defined below) but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Agent for the portion thereof to which Agent is entitled.

2. LIMITATIONS ON INDEMNIFICATION. Notwithstanding any other provision of this Agreement, Agent shall not be entitled to indemnification under Section 1:

(a) if the claim, obligation or liability with respect to which indemnity is sought shall have been determined by a court of competent jurisdiction, by a final judgment or decree, or, in case of settlement, which in the opinion of counsel for the Company would, if determined by a court of competent jurisdiction, likely have been determined to have arisen out of or been based upon Agent's willful misfeasance, bad faith, gross negligence or reckless disregard of duty or for Agent's failure to act in good faith in the reasonable belief that Agent's action was in the best interests of the Company;

(b) if a court of competent jurisdiction shall determine, by a final judgment or decree, that such indemnity is not permitted under applicable law;

(c) on account of any suit in which judgment is rendered for an accounting of profits made from the purchase or sale by Agent of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or

(d) on account of any suit brought against Agent for misuse or misappropriation of non-public information, or otherwise involving Agent's status as an "insider" of the Company in connection with any purchase or sale by Agent of securities of the Company.

3. OTHER INDEMNIFICATION ARRANGEMENTS. The Company's purchase,

establishment and maintenance of insurance or similar protection or other arrangements, including, but not limited to, providing a trust fund, letter of credit, or surety bond ("Indemnification Arrangements") on behalf of the Agent against any liability asserted against him, her or it or incurred by or on behalf of him, her or it in such capacity as a director, officer, employee or agent of the Company, or arising out of his, her or its status as such, whether or not the Company would have the power to indemnify him, her or it against such liability under the provisions of this Agreement or under applicable law, shall not in any way limit or affect the rights and obligations of the Company or of the Agent under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Agent shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such indemnification Arrangement. All amounts payable by the Company pursuant to this Section 3 and to Section 1 of this Agreement are herein referred to as "Indemnified Amounts."

#### 4. ADVANCE PAYMENT OF INDEMNIFIED AMOUNTS.

(a) The Agent hereby is granted the right to receive in advance of a final, nonappealable judgment or other final adjudication of a Proceeding (a "Final Determination") the amount of any and all expenses, including, without limitation, investigation expenses, expert witnesses' and attorney's fees and other expenses expended or incurred by the Agent in connection with any Proceeding or otherwise expended or incurred by the Agent (such amounts so expended or incurred being referred to as "Advanced Amounts").

(b) In making any written request for Advanced Amounts, the Agent shall submit to the Company a schedule setting forth in reasonable detail the dollar amount expended or incurred or an estimate of the current dollar amount expected to be expended. Each such listing shall be supported by the bill, agreement, or other documentation relating thereto (if reasonably available at that time). In addition, before the Agent may receive Advanced Amounts from the Company, the Agent shall provide to the Company (i) a written affirmation of the Agent's good faith belief that the applicable standard of conduct required for indemnification by the Company under this Agreement has been satisfied by the Agent, and (ii) a written undertaking by or on behalf of the Agent to repay the Advanced Amount if it shall ultimately be determined that the Agent has not satisfied the applicable standard of conduct. The written undertaking required from the Agent shall not be secured. The Company shall pay to the Agent all Advanced Amounts within five (5) days after

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receipt by the Company of all information and documentation required to be provided by the Agent pursuant to this paragraph.

#### 5. PROCEDURE FOR PAYMENT OF INDEMNIFIED AMOUNTS.

(a) To obtain indemnification under this Agreement, the Agent

shall submit to the Company a written request for payment of the appropriate Indemnified Amounts, including with such requests such documentation and information as is reasonably available to the Agent and reasonably necessary to determine whether and to what extent the Agent is entitled to indemnification.

(b) The Company shall pay the Agent the appropriate Indemnified Amounts unless it is established that the Agent has not met any applicable standard of conduct provided in this Agreement or applicable law. For purposes of determining whether the Agent is entitled to Indemnified Amounts, in order to deny indemnification to the Agent the Company has the burden of proof in establishing that the Agent did not meet the applicable standard of conduct. In this regard, a termination of any Proceeding by judgment, order or settlement does not create a presumption that the Agent did not meet the requisite standard of conduct; provided, however, that the termination of any criminal proceeding by conviction, or a pleading of nolo contendere or its equivalent, or any entry of an order of probation prior to judgment, creates a rebuttable presumption that the Agent did not meet the applicable standard of conduct.

(c) Any determination that the Agent has not met the applicable standard of conduct required to qualify for indemnification shall be made either (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties of such action, suit or Proceeding; or (ii) by independent legal counsel (who may be the outside counsel regularly employed by the Company); provided that the manner in which (and, if applicable, the counsel by which) the right to indemnification is to be determined shall be approved in advance in writing by both the highest ranking executive officer of the Company who is not party to the Proceeding (sometimes hereinafter referred to as "Senior Officer") and by the Agent. In the event that such parties are unable to agree on the manner in which any such determination is to be made, such determination shall be made by independent legal counsel retained by the Company especially for such purpose, provided that such counsel be approved in advance in writing by both the said Senior Officer and Agent, and provided further that such counsel shall not be outside counsel regularly employed by the Company. The fees and expenses of counsel in connection with making said determination contemplated hereunder shall be paid by the Company, and, if requested by such counsel, the Company shall give such counsel an appropriate

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written agreement with respect to the payment of their fees and expenses and such other matters as may be reasonably requested by counsel.

(d) The Company will use its best efforts to conclude as soon as practicable any requested determination pursuant to subparagraph (c) above and promptly will advise the Agent in writing with respect to any determination that the Agent is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Payment of any applicable Indemnified Amounts will be made to the Agent within ten (10) days after any determination of the Agent's entitlement to indemnification.

(e) Notwithstanding the foregoing, Agent may, at any time after sixty (60) days after a claim for Indemnified Amounts has been filed with the Company (or upon receipt of written notice that a claim for Indemnified Amounts has been rejected, if earlier) and before three (3) years after a claim for Indemnified Amounts has been filed, petition a court of competent jurisdiction to determine whether the Agent is entitled to indemnification under the provisions of this Agreement, and such court shall thereupon have the exclusive authority to make such determination unless and until such court dismisses or otherwise terminates such action without having made such determination. The court shall, as petitioned, make an independent determination of whether the Agent is entitled to indemnification as provided under this Agreement, irrespective of any prior determination made by the Board or Directors or independent counsel. If the court shall determine that the Agent is entitled to indemnification as to any claim, issue or matter involved in the Proceeding with respect to which there has been no prior determination pursuant to this Agreement or with respect to which there has been a prior determination that the Agent was not entitled to indemnification hereunder, the Company shall pay all expenses (including attorneys' fees) actually incurred by the Agent in connection with such judicial determination.

(f) Nothing set forth in this Section 5 shall limit or affect the timing or amount, or the right of Agent to payment, of any Advanced Amounts pursuant to Section 4 hereof.

#### 6. AGREEMENT NOT EXCLUSIVE: SUBROGATION RIGHTS, ETC.

(a) This Agreement shall not be deemed exclusive of and shall not diminish any other rights the Agent may have to be indemnified or insured or otherwise protected against any liability, loss, or expense by the Company, any subsidiary of the Company, or any other person or entity under any charter, bylaws, law, agreement, policy of insurance or similar protection, vote of stockholders or directors, disinterested or not, or otherwise,

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whether or not now in effect, both as to actions in the Agent's official capacity with the Company, and as to actions in another capacity while holding such office, including Agent's right to contribution as may be available under applicable law. The Company's obligations to make payments of Indemnified Amounts hereunder shall be satisfied to the extent that payments with respect to the same Proceeding (or part thereof) have been made to or for the benefit of the Agent by reason of the indemnification of the Agent pursuant to any other arrangement made by the Company for the benefit of the Agent.

(b) In the event the Agent shall receive payment from any insurance carrier or from the plaintiff in any Proceeding against such Agent in respect of Indemnified Amounts after payments on account of all or part of such Indemnified Amounts have been made by the Company pursuant hereto, such Agent

shall promptly reimburse to the Company the amount, if any, by which the sum of such payment by such insurance carrier or such plaintiff and payments by the Company or pursuant to arrangements made by the Company to Agent exceeds such indemnified Amounts; provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy, such as deductible or co-insurance payments, shall not be deemed to be payments to the Agent hereunder. In addition, upon payment of indemnified Amounts hereunder, the Company shall be subrogated to the rights of Agent receiving such payments (to the extent thereof) against any insurance carrier (to the extent permitted under such insurance policies) or plaintiff in respect of such Indemnified Amounts and the Agent shall execute and deliver any and all instruments and documents and perform any and all other acts or deeds which the Company deems necessary or advisable to secure such rights. Such right of subrogation shall be terminated upon receipt by the Company of the amount to be reimbursed by the Agent pursuant to the first sentence of this paragraph.

7. ADDITIONAL INDEMNIFICATION RIGHTS. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify Agent to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Certificate, the Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule, whether by case law or otherwise which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be, ipso facto, within the purview of Agent's rights and Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its

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Board of Directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties, rights and obligations hereunder.

8. INSURANCE. In the event that the Company maintains directors, and officers, liability insurance to protect itself and any of its directors or officers against any expense, liability or loss, and such insurance may cover the Agent, such insurance shall cover the Agent to at least the same extent as any director or officer of the Company, provided that nothing in this Agreement shall require the Company to obtain coverage relating to any acts occurring prior to the date hereof.

9. SEVERABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provisions hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

10. FURTHER ASSURANCES. The parties will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as may be reasonably required for the purpose of giving effect to this Agreement and the transactions contemplated hereby.

11. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding on and shall inure to the benefit of and be enforceable by the Company's successors and assigns and by the Agent's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. The Company shall require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company, by written agreement in form and substance reasonably satisfactory to the Company and to the Agent, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place.

12. COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

13. MISCELLANEOUS. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing signed by Agent

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and either the Chairman of the Board or the President of the Company or another officer of the Company specifically designated by the Board. No waiver by either party at any time of any breach by the other party of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof. The Agent may bring an action seeking resolution of disputes or controversies arising under or in any way related to this Agreement in the state or federal court jurisdiction in which Agent resides or in which his, her or its place of business is located, and in any related appellate courts, and the Company consents to the jurisdiction of such courts and to such venue.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AGENT: INTERNATIONAL LOGISTICS LIMITED

By:

Name:

Title:



INTERNATIONAL LOGISTICS LIMITED  
DEFERRED COMPENSATION PLAN

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## INTERNATIONAL LOGISTICS LIMITED

### DEFERRED COMPENSATION PLAN

#### SECTION 1

##### NAME

The plan set forth herein shall be known as the International Logistics Limited Deferred Compensation Plan.

#### SECTION 2

##### PURPOSE

The Plan is intended to constitute a nonqualified deferred retirement plan which, in accordance with ERISA Sections 201(2), 301(a)(3) and 401(a)(1), is "unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees."

The purpose of the Plan is to acknowledge and reward certain key employees of the Company for their efforts on behalf of the Company by maximizing their ability to save on a tax-deferred basis and providing such key employees with benefits that shall not be restricted by any qualified plan limitations and/or requirements. Such limitations and requirements shall include, but not be limited to, the following:

#### 2.1 ELECTIVE DEFERRAL CONTRIBUTION LIMITATION

The \$9,500 (1996 limit) limitation placed on elective employee contributions in accordance with Sections 402(g) of the Internal Revenue Code (the "Code"), which limitation shall be adjusted annually for increases in the cost-of-living in accordance with Section 415(d) of the Code.

#### 2.2 COMPENSATION LIMITATION

The \$150,000 (1996 limit) maximum on compensation taken into account for all purposes under a qualified plan in accordance with Section 401(a)(17) of the Code, which limitation shall be adjusted for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code.

#### 2.3 LIMITATION ON ANNUAL ADDITIONS

The limitation on annual additions to qualified retirement plans in accordance with Section 415(c) of the Code, which limitation shall be adjusted annually for increases in the cost-of-living in accordance with Section 415(d) of the Code.

#### 2.4 NONDISCRIMINATION REQUIREMENTS

The nondiscrimination testing requirements under Sections 401(k) and (m) of the Code.

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### SECTION 3

#### DEFINITIONS

For purposes of the Plan, the following words and phrases shall have the following meanings unless a different meaning is plainly required by the

context. Wherever used, the masculine pronoun shall include the feminine pronoun and the feminine pronoun shall include the masculine and the singular shall include the plural and the plural shall include the singular.

- 3.1 "ACCOUNT" shall mean a recordkeeping source from which Plan benefits are provided. The specific Accounts under this Plan are listed in Section 8.1 and described more fully in Section 12.
- 3.2 "BENEFICIARY" shall mean the person or persons designated in accordance with Section 13 to receive any benefits under the Plan in the event of a Participant's death.
- 3.3 "BENEFIT COMMENCEMENT DATE" shall mean the date as of which the Participant's benefit commences. Such commencement shall occur as soon as administratively possible following the Participant's Determination Date.
- 3.4 "BOARD OF DIRECTORS" shall mean the full Board of Directors of the Company.
- 3.5 "BONUS COMPENSATION" shall mean any cash remuneration paid to a Participant, excluding Regular Compensation, as a specific incentive bonus or award, including Voluntary Deferral Allocations made hereunder, the source of which is Bonus Compensation.
- 3.6 "BONUS DEFERRAL RATE" shall have the meaning set forth in Section 6.1.
- 3.7 "BUSINESS DAY" means a day other than Saturday, Sunday or any other day on which banks located in the State of Illinois are authorized or obligated to close.
- 3.8 "COMMISSION" means the United States Securities and Exchange Commission.
- 3.9 "COMMITTEE" shall mean the Board of Directors or the person or persons appointed by the Board of Directors to administer the Plan.
- 3.10 "COMPANY" shall mean International Logistics Limited, a Delaware corporation, or any affiliate, subsidiary or associate company of International Logistics Limited which

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shall adopt the Plan for its employees with the approval of International Logistics Limited, including any successor to International Logistics Limited as a result of a statutory merger, purchase of assets or any other form of reorganization of the business of the Company.

- 3.11 "DESIGNATED EMPLOYEE" shall have the meaning set forth in Section 4.8.
- 3.12 "DETERMINATION DATE" shall mean, with respect to:

- (a) the Participant's Retirement Account, the date on which the Participant's termination of employment for any reason occurs;
  - (b) the Participant's Education Account(s), the January 1 of the calendar year in which an Eligible Dependent attains age 18 or the date the Participant terminates employment as a result of his Retirement during or after such time period; and
  - (c) the Participant's Fixed Period Account(s), the January 1 of the payment year specified by the Participant.
- 3.13 "DISABILITY" or "DISABLED" shall mean any physical or mental condition which meets the definition and provisions described in the Company's group long-term disability contract covering the Participants in this Plan.
- 3.14 "DISABILITY TERMINATION DATE" shall mean one year following the date on which a Participant is Disabled if the Participant remains Disabled on such date.
- 3.15 "DISCRETIONARY ALLOCATIONS" shall have the meaning set forth in Section 7.1.
- 3.16 "EDUCATION ACCOUNT" shall have the meaning set forth in Section 8.1.
- 3.17 "EFFECTIVE DATE" shall mean July 1, 1996, the date as of which the Plan was established.
- 3.18 "EMPLOYEE" shall mean a person who is employed by the Company and falls under the usual common law rules applicable in determining the employer-employee relationship.
- 3.19 "FIXED PERIOD ACCOUNT" shall have the meaning set forth in Section 8.1.
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- 3.20 "INITIAL PUBLIC OFFERING" means the first underwritten public offering of Company common stock pursuant to a registration of shares under the Securities Act, on a Form S-1 Registration Statement (or equivalent or successor form).
- 3.21 "KEY EMPLOYEE" shall mean an Employee who is designated for eligibility in the Plan by the Committee in accordance with Section 4.2.
- 3.22 "LEAVE OF ABSENCE" shall have the meaning set forth in the Company's employee handbook.
- 3.23 "PARTICIPANT" shall mean any Employee who is participating in the Plan in accordance with the provisions herein set forth.

- (a) "GROUP I PARTICIPANT" shall mean a Participant who is so designated by the Committee.
- (b) "GROUP II PARTICIPANT" shall mean a Participant who is so designated by the Committee.

3.24 "PER SHARE AGGREGATE VALUE" shall mean:

- (i) if prior to an Initial Public Offering, the amount obtained by dividing (A)  $(EBITDA \times 5) - (\text{Debt} - \text{CA})$  by (B) the number of shares of common stock outstanding and the number of shares subject to options and warrants (to the extent such options and warrants are in the money) on the Valuation Date, where:
  - (a) EBITDA means the Company's consolidated earnings before interest, taxes, depreciation and amortization for the four fiscal quarters of the Company ending on the Valuation Date immediately preceding the Determination Date, computed in accordance with generally accepted accounting principles.
  - (b) Debt means any current or long-term indebtedness of the Company as of the Valuation Date immediately preceding the Determination Date (including capitalized lease obligations and accrued but unpaid interest), as set forth on the Company's consolidated balance sheet (prepared in accordance with generally accepted accounting principles); and
  - (c) CA means the Company's consolidated cash and cash equivalents on hand as of the Valuation Date

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immediately preceding the Determination Date, including, without limitation payments that have been received or will be received upon the exercise of options and warrants to the extent such options and warrants are "in the money" as set forth on its consolidated balance sheet (prepared in accordance with generally accepted accounting principles).

- (ii) if subsequent to an Initial Public Offering, the per share trading price for each trading day:
  - (A) if the Company common stock is traded on a national securities exchange, its last reported sale price on the preceding Business Day on such national securities exchange or, if there was no sale on that day, the last reported sale price on such national securities exchange on the next preceding Business Day on which there was a sale, all as made available over the Consolidated Last Sale Reporting System of the CTA Plan (the "CLSRS") or, if

the Company common stock is not then eligible for reporting over the CLSRS, its last reported sale price on the preceding Business Day on such national securities exchange or, if there was no sale on that day, on the next preceding Business Day on which there was a sale on such exchange; or

- (B) if the principal market for the Company common stock is the over-the-counter market, but the Company common stock is not then eligible for reporting over the CLSRS, but the common stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the last sale price reported on NASDAQ on the preceding Business Day or, if the Company common stock is an issue for which last sale prices are not reported on NASDAQ, the closing bid quotation on such day, but in each of the next preceding two cases, if the relevant NASDAQ price or quotation did not exist on such day, then the price or quotation on the next preceding Business Day in which there was such a price or quotation.

3.25 "PLAN" shall mean the International Logistics Limited Deferred Compensation Plan as it may be amended from time to time.

3.26 "PLAN CONTRIBUTIONS" shall mean the total of the Participant's Voluntary Deferral Allocations made in

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accordance with Section 6.1 and the Company's Discretionary Allocations made in accordance with Section 7.1 for the Plan Year of reference.

3.27 "PLAN SHARES" shall have the meaning set forth in Section 4.8.

3.28 "PLAN YEAR" shall mean a period of six consecutive months commencing on the Effective Date and ending on December 31, 1996. Thereafter, "Plan Year" shall mean a period of 12 consecutive months commencing on January 1, 1997 and each January 1 thereafter.

3.29 "QUALIFIED PLAN" shall mean the Bekins 401(k) Profit Sharing Plan.

3.30 "REGULAR COMPENSATION" shall mean the Participant's wages for the Plan Year paid by the Company of the type reported in box 1 of Form W-2. Such wages shall include amounts within the meaning of Section 3401(a) of the Code plus any other amounts paid to the Participant by the Company for which the Company is required to furnish a written statement under Sections 6041(d), 6051(a)(3) and 6052 of the Code, determined without regard to any rules that limit the amount required to be reported based on the nature or location of the employment or services performed,

(a) exclusive of

- (i) Bonus Compensation;
- (ii) severance pay on a non payroll basis;
- (iii) nonqualified plan payments; and
- (iv) welfare benefits, fringe benefits (cash and non-cash), reimbursements of other expense allowances and moving expenses.

(b) inclusive of

- (i) any amounts deferred under any nonqualified plan, including the Plan; and
- (ii) the amount of any contributions made by the Company under any salary reduction or similar arrangement to a qualified deferred compensation, pension or cafeteria plan, or contributions to a simplified employee pension plan described in Section 408(k) of the Code.

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3.31 "REGULAR DEFERRAL RATE" shall have the meaning set forth in Section 6.1.

3.32 "RETIREMENT" shall mean the termination of employment of a Participant for any reason other than Disability or death on or following his Retirement Date.

3.33 "RETIREMENT ACCOUNT" shall have the meaning set forth in Section 8.1.

3.34 "RETIREMENT DATE" shall mean first date coincident with or following the date on which a Participant attains age 55, provided he has completed at least five Years of Service as of such date.

3.35 "SECURITIES ACT" means the Securities Act of 1933, as amended.

3.36 "SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

3.37 "TRUST AGREEMENT" shall mean the instrument executed by the Company and the Trustee fixing the rights and liabilities of each with respect to holding and administering the Trust Fund.

3.38 "TRUSTEE" shall mean the Trustee or any successor Trustee, appointed by the Board of Directors, acting in accordance with the terms of the Trust



Agreement.

- 3.39 "TRUST FUND" shall mean all assets held by the Trustee for the purposes of the Plan in accordance with the terms of the Trust Agreement. The Board of Directors shall, subject to the provisions of Section 10, establish such a Trust Fund (known as a "rabbi trust") for the purpose of accumulating funds to satisfy the obligations incurred by the Company under the Plan.
- 3.40 "VALUATION DATE" shall mean the last day of each March, June, September and December and such other dates as the Committee may determine from time to time.
- 3.41 "VOLUNTARY DEFERRAL ALLOCATIONS" shall have the meaning set forth in Section 6.1.
- 3.42 "YEAR OF SERVICE" shall mean the 12-month period beginning as of the date a person was first hired by the Company and each anniversary thereof during which such person remains in the employ of the Company.

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## SECTION 4

### OPERATION AND ADMINISTRATION OF THE PLAN

#### 4.1 ORGANIZATION OF THE COMMITTEE

- (a) The Board of Directors shall serve as the Committee to administer the Plan or shall appoint a Committee to administer the Plan, who, upon acceptance of such appointment, shall serve at the pleasure of the Board of Directors. Any member may resign by delivering his written resignation to the Board of Directors and to the Committee. Vacancies in the Committee arising from resignation, death, or removal shall be filled by the Board of Directors.
- (b) The Committee shall act by a majority of its members unless unanimous consent is required by the Plan or by unanimous approval of its members if there are two or less members in office at the time. In the event of a Committee deadlock, the Committee shall determine the method for resolving such deadlock. No Committee member shall act upon any question pertaining solely to himself, and the other member or members shall make any determination required by the Plan in respect to such member.
- (c) The Committee may, by unanimous consent, delegate specific authority and responsibilities to one or more of its members. The member or members so designated shall be solely liable, jointly and severally, for their acts or omissions with respect to such delegated authority and responsibilities. Committee members not so designated shall be

relieved from liability for any act or omission resulting from such delegation.

#### 4.2 COMMITTEE DISCRETION

The Committee shall, by written action, designate those Employees, if any, who are to be Key Employees for purposes of Section 5. Such designation shall remain in effect for all future Plan Years unless and until removed by the Committee. Such removal must be made in writing and communicated to the applicable Key Employee prior to the Plan Year for which such action shall take effect.

No such change of status shall become effective during a Plan Year in which a Key Employee is currently participating unless the provisions of Subsection 5.4(c) apply.

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#### 4.3 AUTHORITY AND RESPONSIBILITY

The Committee shall have full authority and responsibility to interpret and construe the Plan and determine all questions of the status and rights of the Participants and the amounts of their allocations. Its interpretation, construction or determination, as the case may be, shall be final and conclusive on both the Company and the Participants and their respective successors, assigns, personal representatives and Beneficiaries. Such authority and responsibility shall include, but shall not be limited to, the following:

- (a) appointment of qualified accountants, consultants, administrators, counsel, appraisers, or other persons it deems necessary or advisable, who shall serve the Committee as advisors only and shall not exercise any discretionary authority, responsibility or control with respect to the management or administration of the Plan;
- (b) determination of all benefits, and resolution of all questions arising from the administration, interpretation and application of the Plan;
- (c) adoption of forms and regulations for the administration of the Plan;
- (d) remedy of all inequity resulting from incorrect information received or communicated, or of administrative error;
- (e) settlement or compromise of any claims or debts arising from the operation of the Plan and the commencement of any legal actions or administrative proceeding.

#### 4.4 RECORDS AND REPORTS

The Committee shall keep a record of its proceedings and acts and shall keep books of account, records and other data necessary for the proper administration of the Plan.

Following each Valuation Date, the Committee shall provide each Participant with a detailed statement of his Account, including all transactions affecting his Account during the calendar quarter of reference, and reflecting the most recent valuation of his Account.

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#### 4.5 REQUIRED INFORMATION

The Company, Participants or Beneficiaries entitled to benefits shall furnish forms and any information or evidence as requested by the Committee for the proper administration of the Plan. Failure on the part of any Participant or Beneficiary to comply with such request within a reasonable period of time shall be sufficient grounds for delay in the payment of benefits until the information or evidence requested is received.

#### 4.6 PAYMENT OF EXPENSES OF PLAN

The expenses of the Committee in connection with the administration of the Plan shall be the responsibility of the Company.

#### 4.7 INDEMNIFICATION

The Company shall indemnify the members of the Committee and advance expenses as provided in the by-laws of the Company.

#### 4.8 COMMITTEE COMMON STOCK ALLOCATION

The Committee may from time to time, in its sole discretion, direct the Trustee to purchase shares of the Company's common stock (the "PLAN SHARES"). The Committee may, by written action, designate (i) which Key Employees (a "DESIGNATED EMPLOYEE"), if any, shall be entitled to receive Plan Shares and (ii) the number of Plan Shares that may be distributed to a Designated Employee pursuant to Sections 12.1(b)(i)(B) and (iii)(B). The Committee may, in its sole discretion, redesignate to any other Key Employee, consistent with the preceding sentence, any Plan Shares that are not distributed to a Designated Employee pursuant to Sections 12.1(b)(i)(B) and (iii)(B).

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### SECTION 5

#### ELIGIBILITY FOR PARTICIPATION

## 5.1 INITIAL ELIGIBILITY

- (a) Each Key Employee on the Effective Date will be eligible to participate in the Plan as of such date.
- (b) Each other Key Employee will be eligible to participate in the Plan as of the first day of the month following the attainment of his status as a Key Employee in accordance with Section 4.2.

## 5.2 VOLUNTARY PARTICIPATION

Participation in the Plan by Key Employees is entirely voluntary. As further specified in Section 6.2, a Key Employee must sign an election form and submit the signed form to the Committee before the date he elects to become a Participant of the Plan.

## 5.3 COMMITTEE RULES AND REGULATIONS

The Committee shall, through the adoption of a set of rules and regulations, provide for methods used in advising a Key Employee of his eligibility in the Plan, and all forms necessary for the Key Employee to elect to participate.

## 5.4 CESSATION OF PARTICIPATION

- (a) For purposes of Articles 6, 7 and 11, an individual shall cease to be a Participant on the earliest of:
  - (i) the date on which he ceases to be a Key Employee;
  - (ii) the date on which he terminates employment with the Company for any reason; and
  - (iii) the date on which the Plan terminates.
- (b) For all other Plan purposes, an individual shall cease to be a Participant on the date the total vested value of his Account has been paid.
- (c) Notwithstanding the foregoing Subsections (a) and (b), in the event that the Department of Labor ("DOL") issues regulations or other official notice specifically defining the group of employees that may participate in a plan of this type and any Participants

at that time do not meet the criteria set forth in the DOL regulations or notice, such Participants shall be deemed to be individuals

described under Subsection (a)(i) as of the later of the effective date or publication date of the notice or regulations, provided such notice or regulations include a grandfather provision for such Participants with respect to their account balances on such date. In the event no such grandfather provision is provided, the accounts of such Participants shall be distributed in accordance with the second paragraph of Subsection 12.1(a).

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## SECTION 6

### PARTICIPANT ALLOCATIONS

#### 6.1 VOLUNTARY DEFERRAL ALLOCATIONS

- (a) Until the date of his cessation of participation in accordance with Subsection 5.4(a), by filing the applicable forms in accordance with Section 6.2, a
  - (i) Group I Participant may, as of the Effective Date or, if later, when first eligible or any January 1 thereafter elect to reduce his
    - (A) Regular Compensation by any fixed percentage ("REGULAR DEFERRAL RATE") for a current Plan Year up to a maximum of 25% of such Regular Compensation, and/or
    - (B) Bonus Compensation by any fixed percentage ("BONUS DEFERRAL RATE") for a current Plan Year up to a maximum of 100% of such Bonus Compensation.

- (ii) Group II Participant who shall contribute at less than the maximum allowable level to the Qualified Plan for such Plan Year may, as of the Effective Date or, if later, when first eligible or any January 1 thereafter elect to reduce his Regular Compensation by any Regular Deferral Rate for a current Plan Year up to a maximum of 9% of such Participant's Regular Compensation for the Plan Year.
- (iii) Group II Participant who shall contribute at the maximum allowable level to the Qualified Plan for such Plan Year may, as of the Effective Date or, if later, when first eligible or any January 1 thereafter elect to reduce his Regular Compensation by any Regular Deferral Rate for a current Plan Year up to a maximum of the difference between (A) 15% of such Participant's Regular Compensation for the Plan Year and (B) the anticipated amount, as determined by the Committee, that the Participant is eligible to contribute on a before tax basis to the Qualified Plan during the Plan Year.

The election made by the Participant in accordance with Subsection (i) or (ii) shall result in a corresponding

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amount being credited to his Accounts in accordance with Section 8.1.

In the case of Group I Participants, the deferral shall be made from Regular or Bonus Compensation as the Participant shall specify; however, to the extent the deferral is to be made from Bonus Compensation and either no Bonus is paid or the Bonus which is paid does not meet the minimum described in Subsection (e), no deferral shall occur with respect to such Bonus Compensation.

- (b) A Participant's Voluntary Deferral Allocations made in accordance with Subsection (a) shall take the form of before tax deferrals to the Participant's Voluntary Deferral Allocation Subaccount.
- (c) Notwithstanding the foregoing, a Participant may not make contributions to this Plan during any period for which contributions must be suspended in accordance with regulation section 1.401(k)-1(d) (2) (iii) (B) (3) of the Code, as a condition of the Participant's receipt of a hardship withdrawal from any plan of the Company which includes a qualified cash or deferred arrangement under section 401(k) of the Code.
- (d) The amount of Regular and Bonus Compensation that a Participant elects to defer shall be credited to the Participant's Accounts as soon as practicable, but no longer than 30 days following the date on which

the Participant is paid the nondeferred portion of the compensation which is the source of the deferral.

- (e) The minimum amount a Participant may defer for any Plan Year is \$1,000.

## 6.2 FORMS REQUIRED

A Participant shall elect to contribute on forms and in the manner prescribed by the Committee. A new election must be made prior to each Plan Year for which the Participant is eligible to participate in the Plan, even if the Participant does not elect to contribute for such Plan Year.

## 6.3 IRREVOCABLE ELECTION

A Participant may not modify or discontinue his allocations for a Plan Year after the first day thereof unless such discontinuance is necessary to comply with the provisions of Subsection 6.1(c).

## SECTION 7

### COMPANY ALLOCATIONS

#### 7.1 DISCRETIONARY ALLOCATIONS

- (a) The Company may, in its sole discretion, make an allocation on behalf of each Participant who meets the requirements specified in Section 6.

The Company shall have the option of allocating a different designated percentage or flat dollar amount to each Participant.

Such percentage or flat dollar amount shall be determined by the Company and announced to the Participants as soon as practicable following the Company's determination of such amount.

- (b) A Participant shall share in the Discretionary Allocations made for the Plan Year of reference in accordance with Section 6.1, provided he is in the employ of the Company on the last business day of such Plan Year.

Notwithstanding the foregoing provision, a Participant shall be entitled to a share of the Company's Discretionary Allocations for the Plan Year of (i) his Retirement or death, (ii) the commencement or end of a Leave of Absence authorized by the Company or (iii) his transfer to another business entity to which such Participant had been transferred by the Company, even if the Participant is not in the employ of the Company on the last business day of such Plan Year.

A Participant shall not share in the allocation of the Company's Discretionary Allocations for any Plan Year during which he terminated his employment for reasons other than specified in (b)(i), (ii) or (iii) above.

- (c) The amount of Discretionary Allocations that the Company, in its sole discretion, allocates to a Participant shall be credited to such Participant's Account as soon as practicable, but no longer than 45 days following the date on which the Company determines to make such allocation.

## SECTION 8

### ESTABLISHMENT OF ACCOUNTS



## 8.1 ESTABLISHMENT OF ACCOUNTS

The following Accounts shall be established with respect to each Participant:

- (a) Retirement Account,
- (b) Education Account and
- (c) Fixed Period Account.

## 8.2 ACCOUNT AND SUBACCOUNT ALLOCATION

- (a) Each Participant shall submit to the Committee before the beginning of the Plan Year of reference a written statement specifying the respective percentages of the Plan Contributions which are to be allocated to the Accounts listed in Subsection 8.1 and described more fully in Section 12.
- (b) In the event that the Participant elects to establish subaccounts under his Education and/or Fixed Period Accounts, all allocations to such Account(s) shall be equally divided among such subaccounts.
- (c) The minimum amount which may be allocated to each Account and, if applicable, to each subaccount, is \$1,000.

## 8.3 IRREVOCABLE ALLOCATION

A Key Employee may not amend or revoke an allocation made for or during a Plan Year.

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## SECTION 9

### MAINTENANCE, INVESTMENT AND VALUATION OF ACCOUNTS

#### 9.1 MAINTENANCE OF ACCOUNTS

The Committee shall establish and maintain a separate accounting in the name of each Participant, to which it shall credit all amounts allocated in accordance with Sections 6 and 7 and all investment experience as determined in accordance with Sections 9.2 and 9.3.

#### 9.2 DEEMED INVESTMENT FUND ELECTION

- (a) INITIAL ELECTION - Each Participant shall designate, in multiples of 1%, one or more of the funds referenced in Section 9.3 for the purpose

of attributing investment experience to his Accounts.

If the Participant fails to designate such funds, the entire Account shall be deemed to be invested under the most conservative of the funds selected by the Committee in accordance with Section 9.3 (e.g. a money market fund or a fixed income fund).

- (b) SUBSEQUENT ELECTION - A Participant may, by written election prior to the date as of which an election is to be effective, change his fund election with respect to subsequent allocations but, until changed, a fund election shall remain in effect for all subsequent Plan Years.
- (c) TRANSFER ELECTION - A Participant may, by written election change his fund election with respect to his then existing Account, provided the transfers from fund to fund are in multiples of 1%. Such change shall become effective as soon as administratively possible.
- (d) Such elections shall be the basis for the valuation of a Participant's Account in accordance with Section 9.4 but shall not require the Company to actually place assets in such funds or purchase any specific assets for purposes of the Plan.

### 9.3 FUNDS

The Committee shall choose investment vehicles on which to base the imputed investment experience of Participant Accounts.

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Prior to the beginning of each Plan Year, the Committee, in its sole discretion, shall determine the general fund categories and the specific investment vehicles to be offered to Participants and shall notify the Participants of its decisions. Notwithstanding the foregoing sentence, the Committee may, at any time during the Plan Year, choose the Company's common stock as an investment vehicle on which to base the imputed investment experience of Participant Accounts; PROVIDED, HOWEVER, that only Designated Employees shall be entitled to make such an investment election and such Designated Employees shall only be entitled to make an election in an amount equal to the value of the Plan Shares allocated to such Designated Employee pursuant to Section 4.8.

### 9.4 ALLOCATION OF INVESTMENT EXPERIENCE

- (a) Each Participant's Account shall be valued based upon the performance of the deemed investment fund or funds selected by the Participant.
- (b) The fair market value of any fund or funds shall be determined by the Committee.

- (c) Notwithstanding the foregoing, in the event the Committee decides to offer the common stock of the Company as a deemed investment option, the value of such deemed investment shall be equal to the Per Share Aggregate Value multiplied by the number of shares deemed credited to such individual's account.

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## SECTION 10

### FUNDING LIMITATIONS

#### 10.1 BENEFIT STATUS

- (a) All benefits under the Plan are unfunded obligations of the Company.
- (b) At no time shall a Participant or the Participant's Beneficiary have any right, title or interest in or to any specific fund or assets of the Company.
- (c) As to any claim for benefits under the Plan, the Participant or the Participant's Beneficiary shall be a creditor of the Company in the same manner as any other creditor having a general claim for unpaid compensation.

#### 10.2 INVESTMENT AND BENEFIT PAYMENT OBLIGATION OF THE COMPANY

- (a) Nothing contained herein shall require the Company to set aside or earmark any monies or other assets specifically for payments under the Plan.
- (b) Neither the Company nor any Trustee shall be obligated to purchase or maintain any asset, and any reference to investments is solely for the purpose of computing the value of benefits.
- (c) Neither this Plan nor any action taken pursuant to the terms of this Plan shall be considered to create a fiduciary relationship between the Company and the Plan Participants or any other persons, or to establish a trust in which the assets are beyond the claims of any unsecured creditor of the Company.
- (d) Benefits are payable as they become due irrespective of any actual investments the Company may make to meet its obligations.

## SECTION 11

### VESTING

#### 11.1 UPON RETIREMENT OR THE ATTAINMENT OF HIS DISABILITY TERMINATION DATE

Upon eligibility for Retirement or the attainment of his Disability Termination Date, a Participant shall have a 100% vested interest in his Account.

#### 11.2 UPON DEATH

Upon the death of a Participant, such Participant's Beneficiary shall be entitled to a 100% vested interest in the Participant's Account.

#### 11.3 UPON OTHER TERMINATION OF EMPLOYMENT

Upon termination of a Participant's employment prior to his Retirement, Disability Termination Date or death, the vested interest to which he shall be entitled with respect to

- (a) that portion of his Account attributable to his Voluntary Deferral Allocations and any applicable investment experience credited to such allocations shall be 100%;
- (b) that portion of his Account attributable to his Company Discretionary Allocations and any applicable investment experience credited to such allocations shall be determined in accordance with the following vesting schedules:

- (i) For Employees who are designated as Key Employees as of the Effective Date:

| Years of Service<br>After Effective Date<br>----- | Vested Percentage<br>----- |
|---|----------------------------|
| Less than 1 full year                             | 0%                         |
| 1 full year                                       | 33-1/3%                    |
| 2 full years                                      | 66-2/3%                    |
| 3 or more full years                              | 100%                       |

- (ii) For Employees who are designated as Key Employees after the Effective Date:

| "Years of Plan<br>Participation" | Vested Percentage |
|----------------------------------|-------------------|
| -----                            | -----             |
| Less than 1 full year            | 0%                |
| 1 full year                      | 33-1/3%           |
| 2 full years                     | 66-2/3%           |
| 3 or more full years             | 100%              |

For purposes of this Subparagraph, a "Year of Plan Participation" shall mean each calendar year during which a Participant elects to make Voluntary Deferral Allocations in accordance with Section 6.

- (c) Notwithstanding the foregoing, the Committee, in its sole discretion, may, by written action, accelerate the vesting periods set forth in Section 11.3(b) above.

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## SECTION 12

### REGULATIONS GOVERNING DISTRIBUTION OF BENEFITS

#### 12.1 RETIREMENT ACCOUNT.

##### (a) COMMENCEMENT OF BENEFIT.

If a Participant terminates employment for any reason, including death, the Company shall pay such Participant or his Beneficiary, if applicable, a benefit in the form determined under Subsection (b), which shall be distributed commencing on his Benefit Commencement Date.

Notwithstanding the foregoing paragraph, if an individual ceases to be a Participant in accordance with Subsection 5.4(c) and the circumstances described in the last sentence of such Subsection apply, the total value of his Retirement Account (whether or not vested) shall be distributed as soon as administratively practicable following the later of the effective date or publication date of the DOL notice or regulations.

##### (b) METHOD OF DISTRIBUTION

(i) UPON RETIREMENT

Distribution of the Participant's Retirement Account as a result of the Participant's Retirement shall be in one of the following forms at the Participant's election, subject to the rules set forth in Subsection (d):

- (A) a single lump sum in cash;
- (B) by combination of a single lump sum in cash and of a number of Plan Shares of the Company not to exceed the number of shares of common stock of the Company designated by the Committee for allocation to the Participant pursuant to Section 4.8 valued at the Per Share Aggregate Value; or
- (C) substantially equal annual installments of cash over a period of not less than two nor more than 15 full years.

Notwithstanding the foregoing, if the Participant's Retirement Account has a value less

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than \$10,000 at the time benefits are to commence, then the Committee shall determine (subject to the rules set forth in Subsection (d) below), in its sole discretion, whether the Participant's benefit shall be paid as (i) a single lump sum in cash or (ii) by combination of a single lump sum in cash and of a number of Plan Shares of the Company not to exceed the number of shares of common stock of the Company designated by the Committee for allocation to the Participant pursuant to Section 4.8 valued at the Per Share Aggregate Value.

(ii) UPON DEATH OR DISABILITY TERMINATION

Distribution of the Participant's Retirement Account, as a result of the Participant's death or his attainment of the Disability Termination Date, shall be in a single lump sum in cash.

(iii) UPON TERMINATION OF EMPLOYMENT (OTHER THAN RETIREMENT, DEATH OR DISABILITY)

Distribution of the Participant's Retirement Account as a result of the Participant's termination of employment (other than Retirement, death or Disability) shall be in one of the following forms at the Participant's election, subject to the rules set forth in Subsection (d):

- (A) a single lump sum in cash; or

- (B) by combination of a single lump sum in cash and of a number of Plan Shares of the Company not to exceed the number of shares of common stock of the Company designated by the Committee for allocation to the Participant pursuant to Section 4.8 valued at the Per Share Aggregate Value;

Notwithstanding the foregoing, if the Participant's Retirement Account has a value less than \$10,000 at the time benefits are to commence, then the Committee shall determine (subject to the rules set forth in Subsection (d) below), in its sole discretion, whether the Participant's benefit shall be paid as (i) a single lump sum in cash or (ii) by combination of a single lump sum in cash and of a number of Plan Shares of the Company not to exceed the number of shares of common stock of the Company designated by the Committee for

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allocation to the Participant pursuant to Section 4.8 valued at the Per Share Aggregate Value.

(c) DETERMINATION OF BENEFITS

- (i) In the event that the Participant elects to have his benefits distributed in accordance with Subsection (b)(i)(A), (b)(ii) or his benefits are distributed in accordance with (b)(iii)(A), he shall receive a single lump sum in cash equal to the total vested value of his Account determined as of the Valuation Date immediately preceding his Determination Date.
- (ii) In the event that the Participant elects to have his benefits distributed in accordance with Subsection (b)(i)(B) or (b)(iii)(B), he shall receive (A) a combination of a single lump sum in cash and (B) the number of Plan Shares designated by the Committee pursuant to Section 4.8 for allocation to the Participant (valued at the Per Share Aggregate Value) equal to the total vested value of his Account determined as of the Valuation Date immediately preceding his Determination Date.
- (iii) In the event that the Participant elects to have his benefits distributed in accordance with Subsection (b)(i)(C), the
  - (A) amount of the first payment shall be determined by multiplying the vested value of the Participant's Account as of the Valuation Date immediately preceding

his Determination Date, by a fraction

- (1) the denominator of which equals the number of years over which the benefits are to be paid; and
  - (2) the numerator of which is one.
- (B) amounts of the payments for each succeeding year shall be determined by multiplying the vested value of the Participant's Account as of the Valuation Date immediately preceding the

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applicable anniversary of his Determination Date by a fraction,

- (1) the denominator of which equals the number of remaining years over which the benefits are to be paid; and
- (2) the numerator of which is one.

(d) ELECTION OF FORM OF BENEFIT PAYMENT.

- (i) A Participant shall elect the form in which his benefits are payable upon Retirement in accordance with Subsection (b).

Such election must be made when the Participant makes his initial election to participate in the Plan in accordance with Section 5.

- (ii) Notwithstanding the foregoing, the Participant may elect to change the form(s) elected in accordance with Subparagraph (i), provided such new election is made at least one full calendar year prior to the Participant's Determination Date. If the Participant's Determination Date occurs prior to one full calendar year following the new election, such election shall not be honored and the Participant's prior election shall remain in effect.
- (iii) Notwithstanding any provision contained herein to the contrary, before being required to issue any Plan Shares to a Participant in accordance with this Section 12, the Committee may require the Participant at the Participant's expense to provide an opinion of counsel satisfactory to the Committee that any such issuance is exempt from registration or qualification under the federal and state securities laws and the securities and other applicable laws of the



jurisdiction of residence of the Participant. If the Participant is unable for any reason to provide an opinion of counsel satisfactory to the Committee within 30 days after the Determination Date, the Participant shall forfeit his right to receive any Plan Shares pursuant to this Plan and, notwithstanding

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Paragraph (d)(ii) above, shall promptly submit a new distribution election form consistent with the elections available under Sections 12.1(b)(i)(A) or (C) or Section 12.1(iii)(A), as applicable.

- (iv) Any election made pursuant to this Section shall be made on forms and in the manner prescribed by the Committee and shall be irrevocable, except as provided in Paragraphs (d)(ii) and (d)(iii) above.

## 12.2 EDUCATION ACCOUNT.

- (a) If a Participant (i) remains continuously employed by the Company until January 1 of the calendar year in which an Eligible Dependent attains age 18 or (ii) terminates employment as a result of his Retirement during or after such time period, the Company shall pay to the Participant a portion of his benefit in cash on each Benefit Commencement Date as determined in accordance with the following schedule. The amount of the first payment shall be determined by multiplying the value of the Participant's Education Account as of the Valuation Date immediately preceding his Determination Date by the percentage designated below for year 1. The amounts of the payments for each succeeding year shall be determined by multiplying the value of the Participant's Education Account as of the applicable anniversary of the Valuation Date immediately preceding his Determination Date by the percentage designated below for each succeeding year.

| January 1st<br>Year<br>----- | Percentage of Eligible<br>Dependent's Subaccount<br>----- |
|------------------------------|---|
| 1                            | 25%   |
| 2                            | 33-1/3%   |
| 3                            | 50%   |
| 4                            | 100%  |

- (b) Subject to the requirements of Section 9.2, a Participant may establish subaccounts under his Education Account by designating Eligible Dependents. A Participant may have a maximum of three such

subaccounts at any time. A Participant's election pursuant to Section 8.2 shall apply uniformly to each subaccount.

- (c) If a Participant terminates his employment for any reason other than Retirement with a balance in his

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Education Account, the balance shall be transferred to his Retirement Account and distributed in accordance with Subsections 12.1(a) and (b); but no later than he would have received his benefit as provided in Subsection 12.2(a) above; provided, however, that any such transfer effected pursuant to this Subsection 12.2(c) shall only entitle the Participant to receive a payment distribution with respect to his Education Account under Subsection 12.1(b) (i) (A).

- (d) Notwithstanding any provision to the contrary, if on the January 1 of the calendar year in which an Eligible Dependent of a Participant attains age 18, the Eligible Dependent's subaccount has a balance of less than \$10,000, then the Committee shall direct that the balance be paid to the Participant in one lump sum in cash.
- (e) If an Eligible Dependent dies prior to the payment of the full amount credited to his subaccount, the balance shall be transferred to the Participant's Retirement Account as soon as administratively practicable following the Valuation Date coinciding with or immediately following the Eligible Dependent's death.
- (f) For purposes of this Section, "Eligible Dependent" means an individual who is a child, stepchild, grandchild, niece or nephew, or who is otherwise identified as a dependent of a Participant for purposes of the Code who is living at any time throughout the Enrollment Period and who is either younger than age 14 or younger than age 18 but for whom a subaccount was initially established pursuant to Subsection (b) prior to his attaining age 14.

### 12.3 FIXED PERIOD ACCOUNT.

- (a) On his Benefit Commencement Date, the Participant shall receive a benefit equal to the lump sum value in cash of the Participant's Fixed Period Account determined as of the Valuation Date immediately preceding the Determination Date.
- (b) A Participant shall designate the payment year in the written statement by which the Fixed Period Account is established. Such payment year must not be less than four full calendar years subsequent to the date the Fixed Period Account of reference is established.

Subject to the requirements of Section 8.2, a Participant may

Period Account, with separate payment years for each. A Participant may have a maximum of two such subaccounts at any time. A Participant's election pursuant to Section 8.2 shall apply uniformly to each subaccount.

- (c) If a Participant's employment terminates for any reason and the Participant has a balance in his Fixed Period Account, the balance shall be transferred to his Retirement Account and be distributed in accordance with Subsections 12.1(a) and (b); but no later than he would have received his benefit as provided in Subsection 12.3(a) above; provided, however that any such transfer effected pursuant to this Subsection 12.3(c) shall only entitle the Participant to receive a payment distribution with respect to his Fixed Period Account under Subsection 12.1(b) (i) (A) .

#### 12.4 CLAIM PROCEDURE FOR BENEFITS

- (a) Any request for specific information with respect to benefits under the Plan must be made to the Committee in writing by a Participant or his Beneficiary. Oral communications will not be recognized as a formal request or claim for benefits.
- (b) The Committee shall provide adequate notice in writing to any Participant or Beneficiary whose claim for benefits under the Plan has been denied, (i) setting forth the specific reasons for such denial; specific references to pertinent plan provisions; a description of any material and information which had been requested but not received by the Committee; and, (ii) advising such Participant or Beneficiary that any appeal of such adverse determination must be in writing to the Committee, within such period of time designated by the Committee but, until changed, not more than 60 days after receipt of such notification, and must include a full description of the pertinent issues and basis of such claim.
- (c) If the Participant or Beneficiary fails to appeal such action to the Committee in writing within the prescribed period of time, the Committee's adverse determination shall be final.
- (d) If an appeal is filed with the Committee, the Participant or Beneficiary shall submit such issues he feels are pertinent and the Committee shall reexamine all facts, make a final determination as to whether the denial of benefits is justified under the

circumstances, and advise the Participant or Beneficiary in writing of its decision and the specific reasons on which such decision was based, within 60 days of receipt of such written request, unless special circumstances require a reasonable extension of such 60-day period.

#### 12.5 SUBSTITUTE PAYEE

If a Participant or Beneficiary entitled to receive any benefits hereunder is in his minority, or is, in the judgment of the Committee, legally, physically, or mentally incapable of personally receiving and receipting any distribution, the Committee may make distributions to a legally appointed guardian or to such other person or institution as, in the judgment of the Committee, is then maintaining or has custody of the payee.

#### 12.6 SATISFACTION OF LIABILITY

After all benefits have been distributed in full to a Participant or to his Beneficiary, all liability to such Participant or to his Beneficiary under the Plan shall cease.

#### 12.7 NONASSIGNABILITY

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such action shall be void for all purposes of the Plan. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachments or other legal process for or against any person, except to such extent as may be required by law.

#### 12.8 REPURCHASE PROVISIONS APPLICABLE TO PLAN SHARES

##### (a) REPURCHASE RIGHT IN CASE OF TERMINATION.

Notwithstanding any other provision of the Plan, if at any time prior to an Initial Public Offering, a Participant's employment with the Company or any of its subsidiaries is terminated for any reason whatsoever, including, without limitation, death, disability, resignation, retirement or termination with or without cause, the Company or its designee(s) (which designee(s) may be any person or entity that shall have been approved by the Committee) shall have the exclusive and irrevocable option (a "call"), exercisable in its sole discretion, to repurchase, in whole or in part, the Plan Shares that are then owned (or will be

owned pursuant to an election made under Section 12.1(b)) by such

Participant or any transferee of the Plan Shares. The Company or its designee(s) may exercise the call for all or any portion of the Plan Shares subject to such repurchase hereunder by delivering written notice (a "REPURCHASE NOTICE") to the holder or holders of such Plan Shares within 60 days of the Participant's Determination Date. The Repurchase Notice will set forth the number of Plan Shares to be acquired from each holder, the aggregate consideration to be paid for such shares and the time and place for the closing of the transaction. Each terminated Participant and any transferee shall be obligated to resell the Plan Shares as provided in this Section 12.8 in response to an exercise by the Company of its call under this Section.

The number of Plan Shares to be repurchased by the Company shall first be satisfied to the extent possible from the Plan Shares held by the terminated Participant. If the number of Plan Shares then held by such Participant is less than the total number of Plan Shares the Company has elected to call, the Company shall purchase the remaining Plan Shares elected to be purchased from such Participant's transferees, PRO RATA according to the number of Plan Shares held by such other transferees as of the Determination Date (determined as nearly as practicable to the nearest share).

The consummation of the purchase or purchases of such Plan Shares pursuant to the Company's exercise of its call shall take place on the date and in the manner designated by the Company in the Repurchase Notice, which date shall not be more than 30 days after the delivery of Repurchase Notice; PROVIDED, HOWEVER, that the Company may consummate its purchase of such Plan Shares pursuant to its exercise of its call by delivering payment for such Plan Shares being repurchased by it along with the Repurchase Notice. The Company will pay for the Plan Shares to be purchased by it pursuant to the exercise of a call by delivery of a check in an amount equal to the applicable repurchase price for the Plan Shares being repurchased. The Company will, in connection with such repurchase, be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

Notwithstanding anything to the contrary contained in this Plan, all repurchases of Plan Shares by the Company shall be subject to applicable restrictions contained in the Delaware General Corporation Law and in the Company's debt and equity financing agreements. If any such restrictions

prohibit the repurchase of Plan Shares hereunder which the Company is otherwise entitled to make, the Company may make such repurchases as soon as it is permitted to do so under such restrictions and the time periods for exercise of its rights hereunder shall be tolled during any such period of disability. The Company shall pay interest on any portion of the Plan Shares being repurchased subject to the restrictions set forth in this

paragraph, which interest shall accrue at an annual rate of 10% and be paid on the date such restricted portion of the Plan Shares are repurchased.

(b) PURCHASE PRICE.

The purchase price per share for any Plan Shares purchased pursuant to Section 12.8(a) shall be equal to the Per Share Aggregate Value determined as of the Valuation Date immediately preceding the delivery date of the Repurchase Notice. The Committee (excepting any director who is a Participant) shall determine the purchase price per share in the manner set forth in this Section; PROVIDED, HOWEVER, that the Participant or his transferee, as applicable, may in good faith challenge the Committee's determination and require that the purchase price per share be determined by the Company's independent auditors in the manner set forth in this section. The result of such determination shall be binding on the Company and the Participant or his transferee, as the case may be. The expenses of such determination shall be borne by the Company.

12.9 TRANSFER RESTRICTIONS.

Each Participant electing to receive Plan Shares shall hold those shares subject to the terms of the Second Amended and Restated Stockholders Agreement dated as of November 7, 1996, as the same shall be amended from time to time (the "Stockholders Agreement"), and the Second Amended and Restated Registration Rights Agreement dated as of November 7, 1996, as the same shall be amended from time to time (the "Registration Rights Agreement") and the terms of the subscription agreement executed by such Participant. As provided in the Stockholders Agreement, the Plan Shares may be transferred in certain limited circumstances. Any transferee of any Plan Shares shall take those shares subject to the terms of the Plan, including, without limitation, the repurchase rights set forth in this Article XII, the subscription agreement executed by the transferor Participant, the Stockholders Agreement and the Registration Rights Agreement. Any such transferee must, upon the request of the Company, execute an agreement agreeing to be bound by the Plan and such restrictions and

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must agree to such other waivers, limitations and restrictions as the Company may reasonably require. The Company shall not, and shall not permit any transfer agent or registrar for any shares of the Company's capital stock to, transfer upon the books of the Company any shares of the Company's capital stock originally issued under or pursuant to the Plan in any manner except in accordance with this provision, and any purported transfer not in compliance herewith shall be void.

## SECTION 13

### BENEFICIARY DESIGNATION

- 13.1 Each Participant, upon becoming eligible for participation in the Plan, may designate a Beneficiary to receive the benefits payable in the event of his death, and designate a successor Beneficiary to receive any benefits payable in the event of the death of any other Beneficiary.
- 13.2 A Participant may change his Beneficiary at any time. All Beneficiary designations and changes shall be made on an appropriate form as designated by the Committee and filed with the Committee.
- 13.3 If no person shall be designated by the Participant, or if the designated Beneficiary shall not survive the Participant, payment of the Participant's Account shall be made to the Participant's estate.

## SECTION 14

### AMENDMENT AND TERMINATION

#### 14.1 AMENDMENT

The Company may amend or otherwise modify the Plan by resolution of its Board of Directors, in whole or in part, either retroactively or prospectively, provided that no amendment or modification shall, with respect to allocations already credited or investment experience accrued, change the amount of allocations under Section 6 or Section 7 or investment experience under Section 9 or increase the vesting requirements under Section 11.

#### 14.2 TERMINATION

The Plan may be terminated at any time at the discretion of the Company by resolution of its Board of Directors. Written notification of such action shall be given to each Participant, the Trustee and the Committee. Thereafter, no further allocations or credits shall be made to the Plan. As soon as administratively feasible following termination of the Plan, the Committee shall distribute the amount in each Account (whether or not vested) to or on behalf of the Participant or, if following the Participant's death, the Beneficiary entitled thereto.

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## SECTION 15

### GENERAL PROVISIONS

#### 15.1 LIMITATION OF RIGHTS

Neither the establishment of the Plan or the Trust Agreement, nor any modification thereof, nor the creation of an account, nor the payment of any benefits shall be construed as giving any Participant, Beneficiary, or any other person whomsoever, any legal or equitable right against the Company, the Trustee or the Committee unless such right shall be specifically provided for in the Plan or the Trust Agreement or conferred by affirmative action of the Committee in accordance with the terms and provisions of the Plan; or as giving any Participant the right to be



retained in the service of the Company, and all Participants and other employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

#### 15.2 CONSTRUCTION OF AGREEMENT

The Plan shall be construed according to the laws of the State of Illinois, and all provisions hereof shall be administered according to, and its validity shall be determined under, the laws of Illinois unless preempted by Federal law.

#### 15.3 SEVERABILITY

Should any provision of the Plan or any regulations adopted thereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision or regulation to take the place of the one held illegal or invalid.

#### 15.4 TITLES AND HEADINGS

The titles and headings of the Sections in this instrument are for convenience of reference only and, in the event of any conflict, the text rather than such titles or headings shall control.

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#### 15.5 BINDING UPON SUCCESSORS

The liabilities under the Plan shall be binding upon any successor or assign of the Company and any purchaser of the Company or substantially all of the assets of the Company.

#### 15.6 NOTICES. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given and made and served either by personal delivery to the person for whom it is intended or if deposited, postage prepaid, registered or certified mail, return receipt requested, in the United States mail or if by facsimile transmission to the facsimile numbers below:

If to the Company, addressed to:

International Logistics Limited  
330 South Mannheim Road  
Hillside, Illinois 60162  
Attention: Roger E. Payton

With copies to:

Milbank, Tweed, Hadley & McCloy  
601 South Figueroa Street  
Suite 3100  
Los Angeles, California 90017  
Attention: Eric H. Schunk, Esq.  
Facsimile No.: (213) 629-5063

If to any Participant, addressed to:

such Participant at its address shown on the stock records of the Company, or at such other address as such Participant may specify by written notice to the Company

15.7 SECURITIES LAWS RESTRICTIONS AND ADDITIONAL RESTRICTIONS ON TRANSFER OF OFFERED SHARES.

- (a) Each Participant electing to receive Plan Shares will be required to represent to the Company in a subscription agreement that such Participant is purchasing Plan Shares for his or her own account for investment and not on behalf of others or otherwise with a view toward distributing them. Each Participant is advised that federal and state securities laws govern and restrict each Participant's right to offer, sell or otherwise dispose of any Plan Shares unless

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such Participant's offer, sale or other disposition thereof is registered under the Securities Act, and state securities laws, or in the opinion of the Company's counsel, such offer, sale or other disposition is exempt from registration or qualification thereunder. Any Participant electing to receive Plan Shares will be required to agree that such Participant will not offer, sell or otherwise dispose of any such Plan Shares in any manner which would: (i) require the Company to file any registration statement with the Commission (or any similar filing under state law) or to amend or supplement any such filing or (ii) violate or cause the Company to violate the Securities Act, the rules and regulations promulgated thereunder or any other state or federal law. The certificates for any Plan Shares will bear such legends as the Company deems necessary or desirable in connection with the Securities Act or other rules, regulations or laws.

- (b) The certificates representing the Plan Shares will bear the following legend:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED

PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THE SAME ARE REGISTERED AND QUALIFIED IN ACCORDANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED."

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THAT CERTAIN SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF NOVEMBER 7, 1996, A SUBSCRIPTION AGREEMENT, DATED \_\_\_\_\_, 1997, A SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT DATED AS OF NOVEMBER 7, 1996, AND A DEFERRED COMPENSATION PLAN DATED AS OF JULY 1, 1996, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED TO THE HOLDER ON REQUEST TO THE SECRETARY OF THE COMPANY. SUCH STOCKHOLDERS AGREEMENT, SUBSCRIPTION AGREEMENT AND REGISTRATION RIGHTS AGREEMENT PROVIDE, AMONG OTHER THINGS, FOR CERTAIN RESTRICTIONS ON VOTING, SALE, TRANSFER, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE AND THAT SUCH SECURITIES MAY BE SUBJECT TO PURCHASE BY THE COMPANY AS WELL AS CERTAIN OTHER PERSONS UPON THE OCCURRENCE OF CERTAIN EVENTS. ANY ISSUANCE, SALE, ASSIGNMENT, TRANSFER OR

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OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE TO PERSONS WHO ARE NOT A PARTY TO SUCH STOCKHOLDERS AGREEMENT SHALL BE NULL AND VOID."

- (c) Notwithstanding any other provision of this Plan, the Company may refuse to register any transfer of Plan Shares if the registration of such transfer would require the Company to register any class of equity securities with the Commission under the Securities Exchange Act (except in connection with an effective registration statement under the Securities Act).
- (d) Unless otherwise provided in the Stockholders Agreement or the Registration Rights Agreement, each Participant electing to receive Plan Shares agrees, by his acceptance of such Plan Shares, not to effect any public sale or distribution of any Plan Shares or other equity securities of the Company, or any securities convertible into or exchangeable or exercisable for any of the Company's equity securities, during the ten days prior to and the 120 days after the effectiveness of any underwritten public offering of any class of the Company's equity securities, except as part of such underwritten public offering or if otherwise consented to by the Company in writing prior to such sale or distribution.



EMPLOYEE STOCK  
PURCHASE PLAN II

This Employee Stock Purchase Plan II (the "Plan") is adopted by the board of directors of International Logistics Limited, a Delaware corporation (the "Company"), as of the Plan Date.

ARTICLE I

PURPOSE OF PLAN; STRUCTURE

The Plan is adopted by the Board for employees of the Company and its Subsidiaries as a part of the compensation and incentive arrangements for such employees. The Plan is intended to advance the best interests of the Company by allowing such employees to acquire an ownership interest in the Company, thereby motivating them to contribute to the success of the Company and to remain in the employ of the Company and its Subsidiaries. The availability and offering of stock under the Plan will also enhance the Company's ability to attract and retain individuals of exceptional talent to contribute to the sustained progress, growth and profitability of the Company.

Pursuant to the Plan, Participants will be granted the right to acquire shares of the Company's Common Stock. Shares of the Company's Common Stock issued hereunder will be subject to transfer and other restrictions contained herein, the Subscription Agreement executed by such Participant, the Stockholders Agreement, the Registration Rights Agreement and/or in other similar agreements that may be executed by Participants.

Each Participant will execute a Subscription Agreement in connection with his acquisition of Common Stock. All shares of such stock will be held subject to the terms of such Subscription Agreement and to the terms of the Stockholders Agreement and the Registration Rights Agreement (or to the terms of similar agreements that may be executed by Participants).

ARTICLE II

DEFINITIONS

For purposes of the Plan, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

"AGGREGATE VALUE" means  $(EBITDA \times 5) - (Debt - CA)$ , where:

1. EBITDA means the Company's consolidated earnings before interest, taxes, depreciation and amortization for the four fiscal quarters of the Company ending on the Date of Termination computed in accordance with generally accepted accounting principles;
2. Debt means any current or long-term indebtedness of the Company as of the Date of Termination (including capitalized lease obligations and accrued but unpaid interest), as set forth on the Company's consolidated balance sheet (prepared in accordance with generally accepted accounting principles) as of the Date of Termination; and
3. CA means the Company's consolidated cash and cash equivalents on hand, including, without limitation, payments that have been received or will be received upon the exercise of options and warrants to the extent such options and warrants are included in Section 6.1(b), as set forth on its consolidated balance sheet (prepared in accordance with generally accepted accounting principles) as of the Date of Termination.

"BOARD" means the board of directors of the Company.

"COMMISSION" means the United States Securities and Exchange Commission.

"COMMON STOCK" means the Company's common stock, par value \$0.001 per share, or in the event that the outstanding Common Stock is hereafter changed into or exchanged for different stock or securities of the Company, such other stock or securities.

"DATE OF TERMINATION" shall mean the date on which termination of the Participant's employment occurs, for any reason whatsoever, including, without limitation, death, disability, resignation, retirement or termination of employment with or without cause.

"COMPANY" means International Logistics Limited, a Delaware corporation, or any successor corporation (whether by merger or consolidation or purchase of all or substantially all of the Company's assets determined on a consolidated basis).

"EMPLOYEE" means an employee of the Company or any of its Subsidiaries, whether such employee's employment commences before, on or after the Plan Date.

"OFFERED SHARES" means, with respect to any Participant, (a) any

shares of Common Stock purchased by such Participant pursuant to Article V of this Plan and (b) any shares of the capital stock of the Company issued in respect of any of the securities described in clause (a) above, whether by way of stock dividend, stock split, merger, consolidation, reorganization or other recapitalization. Offered Shares shall remain Offered Shares in the hands of any holder other than such Participant (except for (i) the Company and its successors-in-interest and transferees, and (ii) transferees in a Public Sale of Offered Shares that are vested

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as provided herein on the date of transfer) and except as otherwise expressly provided in this Plan, each such holder of Offered Shares shall succeed to all rights and obligations hereunder attributable to such Participant as a holder of Offered Shares.

"ORIGINAL COST" of each Offered Share purchased will be equal to the amount of any consideration paid by the Participant for such Offered Share, adjusted to give effect to any stock split, stock dividend, share combination or other recapitalization occurring after such Offered Share was issued.

"PARTICIPANT" means any Employee who is eligible to participate in the Plan as determined by the Board.

"PERSON" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"PLAN" means this Employee Stock Purchase Plan II, as amended from time to time in accordance with its terms.

"PLAN DATE" means March 3, 1997.

"PUBLIC SALE" means any sale pursuant to a registered public offering under the Securities Act or any sale to the public pursuant to Rule 144 promulgated under the Securities Act (if and as modified by Rule 701(c) under the Securities Act) effected through a broker, dealer or market maker.

"REGISTRATION RIGHTS AGREEMENT" means the Second Amended and Restated Registration Rights Agreement dated as of November 7, 1996, by and among the Company and each of the holders listed on Exhibit A attached thereto, as the same may be amended from time to time. Each Participant shall be a party to the Registration Rights Agreement (or to an agreement containing comparable terms).

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"STOCKHOLDERS AGREEMENT" means the Second Amended and Restated Stockholders Agreement dated as of November 7, 1996 by and among the Company and each of the holders listed on Exhibit A attached thereto, as the same may be amended from time to time. Each Participant shall be a party to the Stockholders Agreement (or to an agreement containing comparable terms).

"SUBSIDIARY" means any corporation of which the Company owns, directly or through one or more intermediaries, securities having a majority of the ordinary voting power in electing the board of directors of such corporation.

### ARTICLE III

#### ADMINISTRATION

The Plan shall be administered by the Board upon consultation with the Chairman and Chief Executive Officer of the Company. Subject to the requirements and the limitations of the Plan, the Board shall have the sole and complete responsibility and authority to: (a) select Participants; (b) issue and sell Offered Shares to Participants in such amounts as it shall determine; (c) interpret the Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan; (d) correct any defect or omission or reconcile any inconsistency in the Plan; and (e) make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Plan. The Board's determinations on matters within its authority shall be conclusive and binding upon the Participants, the Company and all other Persons. Except as otherwise provided herein, all expenses associated with the administration of the Plan shall be borne by the Company. The Board may, to the extent permissible by law, delegate any of its authority hereunder to such Persons or committee as it deems appropriate, and the use of the term "Board" herein shall be deemed to include reference to such Person or committee as the context may require.

### ARTICLE IV

#### LIMITATION ON AVAILABLE OFFERED SHARES

4.1 OFFERED SHARES. The aggregate number of Offered Shares that will be made available for purchase by Participants pursuant to Article V hereof shall equal 75,000 shares of Common Stock.

4.2 STATUS OF OFFERED SHARES. The Offered Shares available under the Plan may be either authorized and unissued shares, treasury shares or a combination thereof, as the Board shall determine and shall be reserved by the Board for issuance as provided in the Plan. In the event any Offered Shares are not subscribed for within the period permitted therefor in Article V, the



Offered Shares remaining unsubscribed shall resume the status of unreserved shares, available for such other purposes as the Board may determine, and shall not be available for purchase pursuant to the Plan (except as otherwise authorized by the Board pursuant to Section 7.4).

## ARTICLE V

### OFFERED SHARES

5.1 RIGHT TO PURCHASE. Subject to the conditions set forth in this Article V, the Participants, in the aggregate, shall have the right, during the period specified in Section 5.2(a), to purchase all or any of such Participant's allocated portion, as determined by the Board in its discretion, of 75,000 shares of Common Stock at a purchase price of \$30.00 per share;

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provided, however, that each Participant electing to purchase shares hereunder must purchase a minimum of 500 shares of Common Stock.

### 5.2 EXERCISE OF RIGHT.

(a) During the period commencing on the Plan Date and terminating 180 days thereafter (the "Offering Period"), up to 15 Participants (or such greater or lesser number as the Board shall determine, subject to Section 7.2) shall be eligible to exercise their right to purchase Offered Shares at any one time during the Offering Period.

(b) A Participant that wishes to exercise his or her right to purchase Offered Shares must do so by completing, signing and delivering to the Company (to the attention of the Company's Secretary) (i) a copy of the subscription agreement attached hereto as ANNEX I (the "Subscription Agreement"), (ii) a copy of the Stockholders Agreement attached hereto as ANNEX II, (iii) a copy of the Registration Rights Agreement attached hereto as ANNEX III and (iv) a copy of the Investment Consideration Letter attached hereto as ANNEX IV (or, in each case, in such other form as the Board may adopt), together with payment in full for the Offered Shares being purchased thereby. Payment of the purchase price therefor shall be made in cash (including wire transfer, check, bank draft or money order). A Participant's right to subscribe for and purchase Offered Shares shall be subject to the satisfaction of all conditions set forth in the Subscription Agreement.

5.3 TERMINATION OF RIGHT. Unless and to the extent otherwise extended by the Board, a Participant's right to purchase Offered Shares pursuant to this Article V shall terminate upon the expiration of the Offering Period.

## ARTICLE VI

6.1 REPURCHASE PROVISIONS APPLICABLE TO OFFERED SHARES

(a) REPURCHASE RIGHT IN CASE OF TERMINATION. If at any time prior to an Initial Public Offering (as defined in the Stockholders Agreement attached hereto as ANNEX II), a Participant's employment with the Company and its Subsidiaries is terminated for any reason whatsoever, including, without limitation, death, disability, resignation, retirement or termination with or without cause, (i) the Company or its designee(s) (which designee(s) may be any person or entity that shall have been approved by the Board pursuant to the terms of the Stockholders Agreement) shall have the exclusive and irrevocable option (a "call"), exercisable in its sole discretion, to repurchase, in whole or in part, the Offered Shares that are then owned by such Participant or any transferee and (ii) Participant shall have the exclusive and irrevocable option (a "put"), exercisable in such Participant's sole discretion, to sell to the Company, in whole or in part, the Offered Shares that are then owned by such Participant or any transferee. Either party may exercise the call and/or the put (as applicable) for all or any portion of the Offered Shares subject to such repurchase hereunder by delivering written notice (a "Repurchase Notice")

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(i) if by the Company, to the holder or holders of such Offered Shares, and (ii) if by Participant, to the Company, within 60 days of the Participant's Date of Termination. The Repurchase Notice will set forth the number of Offered Shares to be acquired from or sold by each holder, the aggregate consideration to be paid for such shares and the time and place for the closing of the transaction. Each terminated Participant and transferee shall be obligated to resell the Offered Shares as provided in this Section 6.1 in response to an exercise by the Company of its call under this Section. The Company shall be obligated to repurchase the Offered Shares as provided in this Section 6.1 in response to an exercise by a Participant of its put under this Section.

The number of Offered Shares to be repurchased by the Company shall first be satisfied to the extent possible from the Offered Shares held by the terminated Participant. If the number of Offered Shares then held by such Participant is less than the total number of Offered Shares the Company has elected to call or the Participant has elected to put, the Company shall purchase the remaining Offered Shares elected to be purchased from such Participant's transferees, PRO RATA according to the number of Offered Shares held by such other transferees as of the Date of Termination (determined as nearly as practicable to the nearest share).

The consummation of the purchase or purchases of such Offered Shares pursuant to the Company's exercise of its call or the Participant's exercise of its put shall take place on the date and in the manner designated by the Company or the Participant, as applicable, in the Repurchase Notice, which date shall not be more than 30 days after the delivery of Repurchase Notice; PROVIDED,

HOWEVER, that the Company may consummate its purchase of such Offered Shares pursuant to its exercise of its call by delivering payment for such Offered Shares being repurchased by it along with the Repurchase Notice. The Company will pay for the Offered Shares to be purchased by it pursuant to the exercise of a call or a put by delivery of a check in an amount equal to the applicable repurchase price for the Offered Shares being repurchased. The Company will, in connection with such repurchase, be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

Notwithstanding anything to the contrary contained in this Plan, all repurchases of Offered Shares by the Company shall be subject to applicable restrictions contained in the Delaware General Corporation Law and in the Company's and its Subsidiaries' debt and equity financing agreements. If any such restrictions prohibit the repurchase of Offered Shares hereunder which the Company is otherwise entitled to make, the Company may make such repurchases as soon as it is permitted to do so under such restrictions and the time periods for exercise of its rights hereunder shall be tolled during any such period of disability. The Company shall pay interest on any portion of the Offered Shares being repurchased subject to the restrictions set forth in this paragraph, which interest shall accrue at an annual rate of 10% and be paid on the date such restricted portion of the Offered Shares are repurchased.

(b) PURCHASE PRICE. The purchase price per share for any Offered Shares purchased pursuant to Section 6.1(a) shall be equal to the amount obtained by dividing (A) the Aggregate Value determined as of the last day of the Company's fiscal quarter ending

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immediately preceding the Date of Termination by (B) the number of shares of Common Stock outstanding and shares subject to options and warrants (to the extent such options and warrants are in the money) on the Date of Termination. The Board (excepting any director who is a Participant) shall determine the purchase price per share in the manner set forth in this Section; PROVIDED, HOWEVER, that the Participant or his transferee, as applicable, may in good faith challenge the Board's determination and require that the purchase price per share be determined by the Company's independent auditors in the manner set forth in this section. The result of such determination shall be binding on the Company and the Participant or his transferee, as the case may be. The expenses of such determination shall be borne by the Company.

6.2 TRANSFER RESTRICTIONS. Each Participant acquiring Offered Shares shall hold those shares subject to the terms of the Stockholders Agreement and the Registration Rights Agreement and the terms of the Subscription Agreement executed by such Participant. As provided in the Stockholders Agreement the Offered Shares may be transferred in certain limited circumstances. Any transferee of any Offered Shares shall take those shares subject to the terms of the Plan, including, without limitation, the repurchase rights set forth in this

Article VI, the Subscription Agreement executed by the transferor Participant, the Stockholders Agreement and the Registration Rights Agreement. Any such transferee must, upon the request of the Company, execute an agreement agreeing to be bound by the Plan and such restrictions and must agree to such other waivers, limitations and restrictions as the Company may reasonably require. The Company shall not, and shall not permit any transfer agent or registrar for any shares of the Company's capital stock to, transfer upon the books of the Company any shares of the Company's capital stock originally issued under or pursuant to the Plan in any manner except in accordance with this provision, and any purported transfer not in compliance herewith shall be void.

## ARTICLE VII

### MISCELLANEOUS

7.1 RIGHTS OF PARTICIPANTS. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant's employment at any time (with or without cause), nor confer upon any Participant any right to continued employment by the Company or any of its Subsidiaries for any period of time or to continue such employee's present (or any other) rate of compensation. Transfer of an Employee from the Company to a Subsidiary, from a Subsidiary to the Company and from one Subsidiary to another shall not be considered a termination of such Employee's employment for purposes of this Plan. No Employee shall have a right to be selected as a Participant or, having been so selected, to be selected again as a Participant.

7.2 SECURITIES LAWS RESTRICTIONS. Notwithstanding any other provision of the Plan, the Company shall not be obligated to offer, issue or sell any Offered Share to any Person if, in the judgment of the Board, such offer, issuance, or sale may violate federal or applicable state securities laws or regulations or may require the Company to register or qualify any such securities under any federal or state securities laws, or require the Company or any of its agents

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or representatives to register or qualify with any governmental agency or regulatory organization, pursuant to such laws or regulations.

7.3 AMENDMENT, SUSPENSION AND TERMINATION OF PLAN. The Board may not suspend, terminate or materially amend the Plan or any portion thereof at any time without the consent of Participants who hold a majority in interest of the Offered Shares issued pursuant to the Plan (measured on the basis of Original Cost), or without such greater or other stockholder approval to the extent such approval is required by law, agreement or rules of any exchange upon which the Common Stock is listed.

7.4 ADJUSTMENTS. In the event of a reorganization, recapitalization, stock dividend, stock split, share combination or other change in the shares of Common Stock, the Board may make such adjustments in the number and type of shares authorized by the Plan as may be determined to be appropriate and equitable.

7.5 CONSTRUCTION OF PLAN. The validity, construction, interpretation, administration and effect of the Plan shall be determined in accordance with the local law, and not the law of conflicts, of the State of Delaware.

7.6 INDEMNIFICATION. In addition to such other rights of indemnification as they may have as members of the Board, the members of the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Offered Shares issued hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding; PROVIDED, HOWEVER, that any such Board member shall be entitled to the indemnification rights set forth in this Section 7.6 only if such member has acted in good faith and in a manner that such member reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful, and further provided that upon the institution of any such action, suit or proceeding a Board member shall give the Company written notice thereof and an opportunity, at its own expense, to handle and defend the same before such Board member undertakes to handle and defend it on his own behalf.

7.7 NOTICES. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given and made and served either by personal delivery to the person for whom it is intended or if deposited, postage prepaid, registered or certified mail, return receipt requested, in the United States mail:

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If to the Company, addressed to:

International Logistics Limited  
330 South Mannheim Road  
Hillside, Illinois 60162  
Attention: Chief Executive Officer

With copies to: Milbank, Tweed, Hadley & McCloy  
601 South Figueroa Street  
Suite 3100

If to any Participant, addressed to:

such Participant at its address shown on the stock records of the Company, or at such other address as such Participant may specify by written notice to the Company

7.8 SECURITIES LAWS RESTRICTIONS AND ADDITIONAL RESTRICTIONS ON TRANSFER OF OFFERED SHARES.

(a) Each Participant purchasing Offered Shares will be required to represent to the Company in the Subscription Agreement that such Participant is purchasing Offered Shares for his or her own account for investment and not on behalf of others or otherwise with a view toward distributing them. Each Participant is advised that federal securities laws, state securities laws and foreign securities or other applicable laws govern and restrict each Participant's right to offer, sell or otherwise dispose of any Offered Shares unless such Participant's offer, sale or other disposition thereof is registered under the Securities Act, state securities laws or applicable foreign securities laws, or in the opinion of the Company's counsel, such offer, sale or other disposition is exempt from registration or qualification thereunder. Any Participant desiring to purchase Offered Shares will be required to agree that such Participant will not offer, sell or otherwise dispose of any such Offered Shares in any manner which would: (i) require the Company to file any registration statement with the Commission (or any similar filing under state law or foreign law) or to amend or supplement any such filing or (ii) violate or cause the Company to violate the Securities Act, the rules and regulations promulgated thereunder or any other state, federal law or foreign law. The certificates for any Offered Shares will bear such legends as the Company deems necessary or desirable in connection with the Securities Act or other rules, regulations or laws.

(b) The certificates representing the Offered Shares will bear the following legend:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), ANY STATE SECURITIES LAW OR ANY FOREIGN SECURITIES

OR OTHER APPLICABLE FOREIGN LAW, AND SUCH SECURITIES MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THE SAME ARE REGISTERED AND QUALIFIED IN ACCORDANCE WITH THE ACT, ANY APPLICABLE STATE SECURITIES LAW OR ANY FOREIGN SECURITIES OR OTHER APPLICABLE FOREIGN LAW, OR IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED."

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THAT CERTAIN STOCKHOLDERS AGREEMENT, DATED AS OF NOVEMBER 7, 1996, A SUBSCRIPTION AGREEMENT, DATED \_\_\_\_\_, 1997, A REGISTRATION RIGHTS AGREEMENT DATED AS OF NOVEMBER 7, 1996, AND AN EMPLOYEE STOCK PURCHASE PLAN II ADOPTED AS OF MARCH 3, 1997 COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED TO THE HOLDER ON REQUEST TO THE SECRETARY OF THE COMPANY. SUCH STOCKHOLDERS AGREEMENT, SUBSCRIPTION AGREEMENT AND REGISTRATION RIGHTS AGREEMENT PROVIDE, AMONG OTHER THINGS, FOR CERTAIN RESTRICTIONS ON VOTING, SALE, TRANSFER, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE AND THAT SUCH SECURITIES MAY BE SUBJECT TO PURCHASE BY THE COMPANY AS WELL AS CERTAIN OTHER PERSONS UPON THE OCCURRENCE OF CERTAIN EVENTS. ANY ISSUANCE, SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE TO PERSONS WHO ARE NOT A PARTY TO SUCH STOCKHOLDERS AGREEMENT SHALL BE NULL AND VOID."

(c) Notwithstanding any other provision of this Plan, the Company may refuse to register any transfer of Offered Shares if the registration of such transfer would require the Company to register any class of equity securities with the Commission under the Securities Exchange Act (except in connection with an effective registration statement under the Securities Act).

(d) Unless otherwise provided in the Stockholders Agreement or the Registration Rights Agreement, no holder of Offered Shares may effect any Public Sale or distribution of any Offered Shares or other equity securities of the Company, or any securities convertible into or exchangeable or exercisable for any of the Company's equity securities, during the ten days prior to and the 120 days after the effectiveness of any underwritten public offering of any class of the Company's equity securities, except as part of such underwritten public offering or if otherwise consented to by the Company in writing prior to such sale or distribution.

7.9 TERMINATION. Unless earlier terminated as expressly provided herein, this Plan and all the restrictions and rights contained herein shall terminate on the tenth anniversary from the Plan Date.

## ANNEXES

I. Subscription Agreement

II. Stockholders Agreement

III. Registration Rights Agreement



AMENDMENT NO. 1 TO EMPLOYEE STOCK  
PURCHASE PLAN II

This Amendment No. 1 to the Employee Stock Purchase Plan II (the "Plan") is adopted by the Compensation Committee of the Board of Directors of International Logistics Limited, a Delaware corporation (the "Company"), effective as of the Plan Date (as such term is defined in the Plan).

A. AMENDMENT. The Executive Committee of the Board of Directors of the Company hereby amends the first sentence of Section 5.2 of Article V of the Plan in its entirety to read as follows:

"During the period commencing on the Plan Date and terminating 180 days thereafter (the "Offering Period"), up to 50 Participants (or such greater or lesser number as the Board shall determine, subject to Section 7.2) shall be eligible to exercise their right to purchase Offered Shares at any one time during the Offering Period."

B. EFFECT. Except as otherwise modified herein, all other terms and provisions of the Plan shall remain in full force and effect.



AMENDMENT NO. 2 TO EMPLOYEE STOCK  
PURCHASE PLAN II

This Amendment No. 2 to the Employee Stock Purchase Plan II (the "Plan") is adopted by the Compensation Committee of the Board of Directors of International Logistics Limited, a Delaware corporation (the "Company"), effective as of the Plan Date (as such term is defined in the Plan).

A. AMENDMENT. The Executive Committee of the Board of Directors of the Company hereby amends the first sentence of Section 5.2 of Article V of the Plan in its entirety to read as follows:

"During the period commencing on the Plan Date and terminating on September 30, 1997 (the "Offering Period"), up to 50 Participants (or such greater or lesser number as the Board shall determine, subject to Section 7.2) shall be eligible to exercise their right to purchase Offered Shares at any one time during the Offering Period."

B. EFFECT. Except as otherwise modified herein, all other terms and provisions of the Plan shall remain in full force and effect.

## EXECUTIVE MANAGEMENT AGREEMENT

This Agreement is made and entered into as of the 1st day of November, 1997 by and between International Logistics Limited, a Delaware corporation (the "Company"), TCW Special Credits Fund V - The Principal Fund ("TCW") and Oaktree Capital Management, LLC ("Oaktree," and together with TCW, the "Oaktree Entities"). Capitalized terms, not defined herein, shall have the meaning ascribed to them in the Third Amended and Restated Stockholders Agreement dated as of September 30, 1997 by and among the Company and each of the Holders listed on Exhibit A thereto.

## W I T N E S S E T H:

WHEREAS, the Company desires to enter into a management agreement with the Oaktree Entities for the provision of executive management services.

WHEREAS, the Oaktree Entities are willing and able to provide the Company with executive management services.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

## SECTION 1 SERVICES

A. The Company hereby retains the Oaktree Entities to provide the Company with executive management services as provided herein. Such services shall include consultation, advice and direct management assistance to the Company with

respect to operations, strategic planning, financing and other aspects of the business of the Company. The Oaktree Entities shall devote such time as is reasonably necessary to provide such services.

B. The Oaktree Entities accept the appointment provided in Section 1.A above and agree to provide executive management services to the Company in accordance with the terms hereof.

## SECTION 2 CONSIDERATION

A. Base Fee. In consideration of the executive management services to be provided by the Oaktree Entities to the Company, and provided there exists no continuing or uncured material event of default under the material terms of

indebtedness of the Company or any of its Subsidiaries, the Company shall pay and the Oaktree Entities shall be entitled to receive a management fee of \$350,000 per year, which shall be payable in arrears on a pro rata basis upon the completion of each fiscal quarter of the Company (the "Base Fee"). The Base Fee shall be allocated as follows: (i) 53.7%, or \$187,950 per year, to TCW and (ii) 46.3%, or \$162,050 per year, to Oaktree. The Base Fee shall be paid by wire transfer of immediately available funds, to such account or accounts as shall be designated from time to time by the Oaktree Entities. All payments with respect to the Base Fee by the Company shall be subject to applicable restrictions contained in the Company's and its Subsidiaries' debt and equity financing agreements. If any

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such restrictions prohibit any payments with respect to the Base Fee hereunder which the Company is otherwise obligated to make, the Company shall make such payments as soon as it is permitted to do so under such restrictions.

B. Expenses. In addition to the Base Fee, the Oaktree Entities shall also be entitled to reimbursement for all reasonable out-of-pocket expenses incurred by the Oaktree Entities or their personnel in connection with the performance of the Oaktree Entities' duties hereunder, which amounts shall be so reimbursed when invoices with respect thereto are submitted by the Oaktree Entities to the Company.

### SECTION 3 TERM

A. This Agreement shall take effect as of the date first above written and shall continue until automatically terminated by the first to occur of (i) a Qualified Public Offering; (ii) an OCM Entity Purchase Default; (iii) an OCM Entity Funding Default; or (iv) Termination of the Agreement by the Board as a result of criminal misconduct or fraud by the Oaktree Entities. Unless terminated as set forth in clauses (i) through (iv) above, this Agreement shall take effect from the date hereof and shall remain in effect until May 2, 2000. This Agreement shall thereafter be renewed, subject to approval by the Board, for successive annual periods unless the Company or the Oaktree Entities terminates this Agreement by 90 days' notice to the other party prior to the commencement of a renewal period.

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### SECTION 4 MISCELLANEOUS

A. Any notice required or desired to be given hereunder shall be in writing and shall be personally served or shall be deemed given three business

days after deposit in the United States mail, registered or certified, postage and fee prepaid, and addressed as follows:

If to the Company:

International Logistics Limited  
330 South Mannheim Road, Suite 200  
Hillside, IL 60162  
Attention: Roger E. Payton

If to the Oaktree Entities:

TCW Special Credits Fund V - The Principal Fund  
c/o Oaktree Capital Management, LLC  
550 South Hope Street, 22nd Floor  
Los Angeles, CA 90071  
Attention: Vincent J. Cebula

Oaktree Capital Managemnet, LLC  
550 South Hope Street, 22nd Floor  
Los Angeles, CA 90071  
Attention: Vincent J. Cebula

B. This Agreement shall be binding upon the successors and assigns of the parties hereto, including but not limited to any corporation or other entity into which the Company is merged, liquidated or otherwise combined, unless the Company shall be sold in its entirety.

C. This Agreement shall not be amended except by a written instrument executed by the parties.

D. This Agreement is made under and shall be construed in accordance with the laws of the State of California.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date above written.

INTERNATIONAL LOGISTICS LIMITED

By: /s/ ROGER E. PAYTON

-----  
Roger E. Payton  
President and Chief Executive Officer

TCW SPECIAL CREDITS FUND V - THE

PRINCIPAL FUND

By: TCW ASSET MANAGEMENT COMPANY  
Its General Partner

By: /s/ STEPHEN J. KAPLAN

-----  
Stephen J. Kaplan  
Authorized Signatory

By: /s/ VINCENT J. CEBULA

-----  
Vincent J. Cebula  
Authorized Signatory

OAKTREE CAPITAL MANAGEMENT, LLC

By: /s/ STEPHEN A. KAPLAN

-----  
Stephen A. Kaplan  
Principal

By: /s/ VINCENT J. CEBULA

-----  
Vincent J. Cebula  
Managing Director

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

INTERNATIONAL LOGISTICS LIMITED,

TRASUB, INC.,

THE BEKINS COMPANY,

IMR GENERAL, INC.

AND

IMR FUND, L.P.,

Dated as of: April 10, 1996

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## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of this 10th day of April, 1996 (this "AGREEMENT"), is entered into by and among INTERNATIONAL LOGISTICS LIMITED, a Delaware corporation (the "BUYER"), TRASUB, INC., a Delaware corporation and a wholly owned subsidiary of the Buyer (the "TRANSITORY SUBSIDIARY"), THE BEKINS COMPANY, a Delaware corporation ("TBC"), IMR FUND, L.P., a Delaware limited partnership and the majority stockholder of TBC ("IMR") and IMR GENERAL, INC., a Delaware corporation and the general partner of IMR Management Partners, L.P., the general partner of IMR ("IMR GENERAL"). The Buyer, the Transitory Subsidiary, TBC, IMR and IMR General are each referred to herein individually as a "PARTY" and collectively as the "PARTIES."

## RECITALS

A. The respective Boards of Directors, or the applicable governing bodies, of the Buyer, the Transitory Subsidiary, IMR and TBC have approved the acquisition of TBC pursuant to the terms of this Agreement.

B. In furtherance of such acquisition, the respective Boards of Directors of the Buyer, the Transitory Subsidiary, IMR and TBC have approved the merger of the Transitory Subsidiary with and into TBC (the "MERGER"), in

accordance with the General Corporation Law of the State of Delaware (the "DELAWARE LAW"), pursuant to which TBC will be the surviving corporation in the Merger.

C. Pursuant to the Merger, each TBC Share (as defined below) set forth in SCHEDULE 5.2 shall be converted into the right to receive the Merger Consideration (as defined below), subject to adjustment, specified in Section 2.3 hereof.

D. The Board of Directors of TBC has resolved to recommend the Merger to holders of TBC Common Stock (as defined below), and IMR, which beneficially and legally owns a majority of the outstanding shares of such TBC Common Stock, has agreed to vote for and to take all steps within its power to consummate the Merger, subject to the terms, conditions and agreements set forth hereinafter.

#### AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and premises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

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#### ARTICLE I.

#### DEFINITIONS

1.1 DEFINED TERMS. As used herein, the terms below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"ACCOUNTING FIRM" shall have the meaning set forth in Section 3.1(a) hereof.

"ACTION" shall mean any action, claim, suit, litigation, arbitration, proceeding, labor dispute, governmental audit, criminal prosecution or unfair labor practice charge or complaint.

"AFFILIATE" shall have the meaning set forth in the Exchange Act; PROVIDED, HOWEVER, the following Persons (i) shall not be deemed Affiliates of TBC or any of the TBC Subsidiaries: (a) Buyer and its Affiliates, (b) Household Goods Business agents, (c) HVP Business agents, and (d) any driver, and (ii) shall be deemed Affiliates of IMR and IMR General: (a) Jacobs Management Corporation, (b) Jacobs Investors, Inc., and (c) IMR Management Partners, L.P..

"AGREEMENT" shall mean this Agreement and Plan of Merger.

"ASSETS" shall mean any and all right, title and interest of TBC or

any of the TBC Subsidiaries in and to the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal and constituting, or used or useful in connection with, or related to, TBC or any of the TBC Subsidiaries or in which TBC or any such TBC Subsidiary has any interest, including without limitation any right, title and interest of each of TBC and each TBC Subsidiary in and to the following:

(a) accounts and notes receivable (whether current or non-current), refunds, deposits, prepayments or prepaid expenses (including without limitation any prepaid insurance premiums) of such Person;

(b) Contract Rights of such Person;

(c) Leases of such Person;

(d) Leasehold Estates of such Person;

(e) Leasehold Improvements of such Person;

(f) Fixtures and Equipment of such Person;

(g) Inventory of such Person;

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(h) Books and Records of such Person;

(i) Intellectual Property of such Person;

(j) Permits of such Person;

(k) computers and software of such Person;

(l) Insurance Policies of such Person;

(m) available supplies, sales literature, promotional literature, customer, supplier and distributor lists, art work, display units, telephone and fax numbers and purchasing records of such Person;

(n) rights under or pursuant to all warranties, representations and guarantees made by suppliers in connection with the Assets or services furnished to such Person pertaining to the Business or affecting the Assets;

(o) deposits and prepaid expenses of such Person;

(p) claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind of such Person, against any Person or entity, including without limitation any liens, security interests, pledges or other rights to payment or to enforce payment in connection with products delivered by

such Person on or prior to the Effective Time; and

(q) goodwill related to the Business.

Notwithstanding the foregoing, Assets shall not include any Action or right of Action against any current or former director, officer or shareholder of TBC or any TBC Subsidiary, including without limitation IMR, IMR General and IMR's general and limited partners, and Irwin L. Jacobs or any Affiliate of the foregoing; except, however, those Actions that may arise from or in connection with the Transactions.

"BECOM 2000" shall mean the upgrade to the existing BECOM Information Technology platform for high value products to effect real-time updating of information through the use of radio frequency/bar code technology.

"BENEFIT ARRANGEMENT" shall mean any employment, consulting, severance or other similar contract, arrangement or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including any self-insured arrangements), supplemental unemployment benefits, retirement benefits, life, health, disability or accident benefits (including, without limitation, any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation or post-retirement insurance,

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compensation or benefits which (i) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (ii) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by TBC or an ERISA Affiliate or under which TBC or any ERISA Affiliate may incur any liability, and (iii) covers any employee or former employee of TBC or any ERISA Affiliate (with respect to their employment relationship with such entities).

"BMS" shall mean the following TBC moving and storage operating subsidiary entities: A-1, M.R.W., Inc., a Virginia corporation, Bekins Moving & Storage Co., an Arizona corporation, Bekins Moving & Storage Co., a California corporation, Bekins Moving & Storage Co., a Florida corporation, Bekins Moving & Storage Co., a Georgia corporation, Bekins Moving & Storage, Co., a Missouri corporation, Bekins Moving & Storage Co., a Nevada corporation, Bekins Moving & Storage Co., a Texas corporation, Bekins Moving & Storage Co. of Hawaii, Inc., a California corporation, and Bekins Moving & Storage Co., Inc., a New Mexico corporation.

"BOOKS AND RECORDS" shall mean (a) records and lists of TBC and each TBC Subsidiary pertaining to the Assets, (b) records and lists pertaining to the Business or customers, agents, suppliers or Personnel of TBC and each of the TBC Subsidiaries, (c) product, business and marketing plans of TBC and each of the

TBC Subsidiaries, and (d) books, ledgers, files, reports, plans, drawings and operating records of every kind maintained by TBC and each of the TBC Subsidiaries.

"BUSINESS" shall mean TBC's and the TBC Subsidiaries' Household Goods Business and HVP Business.

"BUYER" shall mean International Logistics Limited, a Delaware corporation.

"BUYER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 9.2(a) hereof.

"CERTIFICATE OF MERGER" shall mean that certain Certificate of Merger dated as of the Effective Date, consistent with the terms of the Agreement, containing customary terms and provisions, and otherwise in form mutually satisfactory to the Parties.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 ET SEQ.).

"CERTIFICATES" shall have the meaning set forth in Section 2.5 hereof.

"CLAIM" shall have the meaning set forth in Section 9.2(e) hereof.

"CLAIM NOTICE" shall have the meaning set forth in Section 9.2(e) hereof.

"CLOSING" shall mean the closing of the Transactions on the Effective Date at and as of the Effective Time.

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"CLOSING BALANCE SHEET" shall have the meaning set forth in Section 3.1(a) hereof.

"CLOSING BALANCE SHEET DATE" shall mean March 31, 1996.

"CLOSING FINANCIAL STATEMENTS" shall have the meaning set forth in Section 3.1(a) hereof.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"COMPANY PROPERTY" shall mean, collectively, the Facilities and other present operating locations of TBC and the TBC Subsidiaries.

"CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 10.9(b) hereof.

"CONSTITUENT CORPORATIONS" shall have the meaning set forth in Section 2.2 hereof.

"CONTRACT" shall mean any agreement, contract, note, loan, evidence of indebtedness, purchase, order, letter of credit, indenture, security or pledge agreement, franchise agreement, covenant not to compete, employment agreement, license, instrument, obligation or commitment to which TBC or any of the TBC Subsidiaries is a party or is bound or to which any of the Assets are subject, whether oral or written, express or implied, but excluding all Leases.

"CONTRACT RIGHTS" shall mean all of the rights and obligations under the Contracts of TBC or any of the TBC Subsidiaries.

"COPYRIGHTS" shall mean registered copyrights, copyright applications and unregistered copyrights.

"COURT ORDER" shall mean any judgment, award, decision, consent decree, injunction, ruling, writ or order of any federal, state or local court or governmental agency, department or authority that is binding on any Person or its property under applicable law.

"DAMAGES" shall have the meaning set forth in Section 9.2(a) hereof.

"DEDUCTIBLE" shall have the meaning as set forth in Section 9.2(g) (ii) hereof.

"DEFAULT" shall mean (i) a breach of or default under any Contract or Lease, (ii) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of or default under any Contract or Lease, or (iii) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of termination, renegotiation or acceleration under any Contract or Lease.

"DELAWARE LAW" shall have the meaning set forth in Recital B.

"DELIVERY DATE" shall have the meaning set forth in Section 10.16 hereof.

"DELOITTE" shall have the meaning set forth in Section 3.1(a) hereof.

"DISCLOSURE SCHEDULE" shall mean (i) the schedule prepared and delivered by TBC and IMR to the Buyer and the Transitory Subsidiary and dated as of the date hereof, and (ii) the Supplement (if accepted, as described in Section 10.16 below), both of which set forth the exceptions to the representations and warranties contained in Article V hereof and certain other information called for by this Agreement. Unless otherwise specified each

reference in this Agreement to any numbered schedule is a reference to that numbered schedule which is included in the Disclosure Schedule. As provided in Section 10.16 hereof, no later than two (2) full calendar days prior to the scheduled date of Closing, TBC, IMR and IMR General may deliver a Supplement to the Disclosure Schedule so delivered, and if, and only if, such Supplement is accepted by the Buyer and the Transitory Subsidiary as provided in such Section 10.16, the phrase the "Disclosure Schedule" shall be deemed to refer to the initial Disclosure Schedule, as so supplemented.

"DISSENTING SHARES" shall mean TBC Shares held by any TBC Stockholder who becomes entitled to the payment of the fair value for his TBC Shares under the Delaware Law if the Delaware Law provides for such payment in connection with the Merger.

"DRIVER CONTRACTS" shall mean independent operator agreements of TBC and the TBC Subsidiaries with individuals for one or more tractor or tractor-trailer units utilized in the transport of household or high value products.

"EFFECTIVE DATE" shall have the meaning set forth in Section 2.2 hereof.

"EFFECTIVE TIME" shall have the meaning set forth in Section 2.2 hereof.

"ENCUMBRANCE" shall mean any claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, building or use restriction, conditional sales agreement, encumbrance or other right of third parties, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof. Notwithstanding the foregoing, the possession of an Asset by an independent agent of TBC or a Person who is a party to a Driver Contract in the ordinary course of business shall not be an Encumbrance to be separately disclosed (as an Encumbrance) under this Agreement.

"ENVIRONMENTAL CLAIMS" shall mean administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings, consent decrees, judgments, administrative orders or agreements relating in any way to any Environmental Law or any permit issued under any such Law, including (i) Environmental Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable

damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"ENVIRONMENTAL CONDITIONS" shall mean the introduction into the environment of any pollution, including without limitation any contaminant, irritant or other Hazardous Materials as a result of which TBC or any TBC Subsidiary has or may become liable to any Person or by reason of which the Company Property or any of the Assets may suffer or be subjected to any lien.

"ENVIRONMENTAL LAW" shall mean any applicable federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law in effect and in each case as amended as of the Effective Time, and any judicial or administrative interpretation thereof as of the Effective Time, including any judicial or administrative order, consent decree or judgment, which (i) regulates or relates to the protection or clean-up of the environment; the use, treatment, storage, transportation, handling, disposal or Release of Hazardous Materials, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources; or the health and safety of Persons or property, including without limitation protection of the health and safety of employees; or (ii) imposes liability with respect to any of the foregoing, including without limitation CERCLA; RCRA; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 ET SEQ.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 ET SEQ.; the Clean Air Act, 42 U.S.C. Section 7401 ET SEQ.; the Safe Drinking Water Act, 42 U.S.C. Section 300f ET SEQ.; the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 ET SEQ.; the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. Section 651 ET SEQ.; or any other similar federal, state or local law of similar effect, each as amended.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, and the rules and regulations promulgated thereunder, as amended.

"ERISA AFFILIATE" shall mean any entity which is (or at any relevant time was) a member of a "controlled group of corporations" with, or under "common control" with, or a member of an "affiliated service group" with, TBC or any TBC Subsidiary, as defined in Section 414(b), (c) or (m) of the Code.

"ESTOCLET AGREEMENT" shall have the meaning set forth in Section 8.1(j) hereof.

"EXAMINATION PERIOD" shall have the meaning set forth in Section 9.2(e)(ii) hereof.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FACILITIES" shall mean all of the plants, offices, manufacturing facilities, stores, warehouses, improvements, administration buildings, and all real property and related facilities of TBC or any of the TBC Subsidiaries as identified or listed on SCHEDULE 5.18.



"FACILITY LEASES" shall mean all of the leases of Facilities listed on SCHEDULE 5.18.

"FINANCIAL STATEMENTS" shall have the meaning set forth in SECTION 5.7 hereof.

"FIXTURES AND EQUIPMENT" shall mean all of the furniture, fixtures, furnishings, machinery, automobiles, tractors, trailers, spare parts, supplies, equipment, tooling, molds, patterns, dies and other tangible personal property owned by TBC or any of the TBC Subsidiaries, wherever located and including any such Fixtures and Equipment in the possession of any supplier or agent of TBC or any of the TBC Subsidiaries, including all warranty rights with respect thereto.

"FOREIGN SUBSIDIARY" shall mean any TBC Subsidiary organized under the laws of or doing business in any country other than the United States.

"FORMER FACILITY" shall mean each plant, office, manufacturing facility, store, warehouse, improvement, administrative building and all real property and related facilities which was owned, leased or operated by TBC or any of the TBC Subsidiaries at any time prior to the date hereof, but excluding any Facilities.

"FORMER HOLDERS" shall mean all holders of TBC Shares, excluding Dissenting Shares.

"FUNDS" shall have the meaning set forth in Section 2.5(a) hereof.

"GAAP" shall mean generally accepted accounting principles in the United States of America, applied on a basis consistent with the basis on which the Year End Financial Statements and other financial statements referred to in Section 5.7 were prepared. The Parties acknowledge and agree, however, that the following shall not be considered departures from GAAP for purposes of this Agreement: (i) TBC's calculations of insurance reserves and cargo claim reserves have been refined, but not changed, and Buyer has concurred with such refinement and TBC's methods of such calculation (including the actuarial casualty reserve rules and methods for establishing reserves and the computation methodology for cargo claims as set forth on SCHEDULE 5.7), and (ii) Liabilities for income Taxes as reflected on the Financial Statements do not include any accruals for any audit assessment arising or resulting from the audit presently being conducted by the IRS and any resulting state income tax adjustments.

"HAZARDOUS MATERIALS" shall mean (i) any petroleum or petroleum products, radioactive materials, asbestos in any form, urea formaldehyde foam insulation, polychlorinated biphenyls, and radon gas; (ii) any radioactive, toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound; and (iii) any chemicals, materials or substances defined as

or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," or words of similar import, under any applicable Environmental Law, whether solid, liquid or gas.

"HSR ACT" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"HOUSEHOLD GOODS BUSINESS" shall mean the business of TBC and the TBC Subsidiaries of providing over-the-road transportation, packing, loading and storage services of household and similar goods for individuals, corporations, the United States military and other Persons.

"HVP BUSINESS" shall mean the business of TBC and the TBC Subsidiaries of providing over-the-road transportation, warehousing, inventory management, assembly, delivery and installation services of high value commercial and consumer products for major commercial and consumer products manufacturers and direct response marketing companies.

"IMR" shall mean IMR Fund, L.P., a Delaware limited partnership.

"IMR'S ACCOUNTANTS" shall have the meaning set forth in Section 3.1(a) hereof.

"IMR ACQUISITION" shall mean the transactions effected pursuant to that certain Stock Purchase Agreement dated as of July 22, 1992 by and among Minstar, Inc., IMR and IJ Holdings Corp.

"IMR GENERAL" shall mean IMR General, Inc., a Delaware corporation.

"IMR SHARES" shall have the meaning set forth in Section 7.6 hereof.

"INSURANCE POLICIES" shall mean the insurance policies related to TBC or any of the TBC Subsidiaries or the Assets as described in Section 5.20.

"INTELLECTUAL PROPERTY" shall mean all of the Copyrights, Patents, Trademarks, technology rights and licenses, computer software (including without limitation any source or object codes therefor or documentation relating thereto), trade secrets, franchises, know-how, inventions, designs, specifications, plans, drawings and intellectual property rights of each of TBC or any of the TBC Subsidiaries.

"INVENTORY" shall mean (a) all of the inventories of TBC or any of the TBC Subsidiaries within the Facilities of TBC or any of the TBC Subsidiaries held for resale or lease in the ordinary course of the Business to the customers of such Person, (b) all office supplies and similar materials of TBC or any of the TBC Subsidiaries or any of their respective Affiliates located in the

Facilities of such Person, and (c) all of the raw materials, work in process, spare parts, finished products, wrapping, supply and packaging items, employee uniforms and similar items of TBC or any of the TBC Subsidiaries, in the Facilities of such Person or wherever otherwise located.

"IRS" means the Internal Revenue Service of the United States Treasury Department.

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"JACOBS DEBT" shall mean any and all amounts owing by TBC or any of the TBC Subsidiaries in connection with the outstanding promissory note payable to Irwin L. Jacobs, which, as of the Effective Date, will not exceed \$1,250,000 (plus accrued interest).

"KNOWLEDGE" shall mean, and an individual shall be deemed to have "Knowledge" if, (a) such individual is actually aware of a particular fact or other matter, or (b) a prudent individual could be expected in the ordinary course of business to discover or otherwise become aware of such fact or matter in the course of conducting a reasonably diligent review concerning the existence of such fact or matter. A Person (other than an individual) will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving as a director, executive officer, partner, executor or trustee of such Person (or in any similar capacity) has, or at any time had, Knowledge of such fact or matter.

"KNOWLEDGE OF BUYER" shall mean the actual knowledge of a breach under this Agreement or the other Transaction Documents, based upon a reasonably diligent review of disclosures made in the Disclosure Schedules, of William Simon, Jr., Michael Lenard, Conor Mullett, Roger Payton and Vincent Cebula.

"KNOWLEDGE OF TBC" or other similar phrase shall mean the Knowledge of Andrew Estoclet, Gary Holter, Audrey Jakel, Scott Ogden, Larry Marzullo, Paul Stone, Roger Cloutier, II and, solely with respect to matters related to income tax and insurance, Warren Erdman and the actual knowledge of any other executive officers and directors of TBC and each of the TBC Subsidiaries.

"LEASED REAL PROPERTY" shall mean all leased property described in the Facility Leases.

"LEASEHOLD ESTATES" shall mean all of the rights and obligations of TBC or any of the TBC Subsidiaries as lessee under the Leases listed on SCHEDULE 5.18.

"LEASEHOLD IMPROVEMENTS" shall mean all leasehold improvements situated in or on the Leased Real Property leased under the Leases.

"LEASES" shall mean all of the existing leases with respect to the personal or real property of TBC or any of the TBC Subsidiaries described in

Section 5.18 and all other leases relating to the Assets.

"LIABILITY" shall mean any direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any type, whether accrued, absolute, contingent, matured or unmatured.

"LOAN AGREEMENT" shall mean the Amended and Restated Loan Agreement dated as of April 30, 1993, by and among TBC, as successor in interest to The Bekins Company, a California corporation, Banque Paribas, Chicago Branch (individually and as agent), First Bank

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National Association, Bank of Ireland, Grand Cayman Branch, Norwest Bank Minnesota, N.A., as amended.

"MATERIAL AGENT" shall have the meaning set forth in Section 5.30.

"MATERIAL ADVERSE EFFECT" or "MATERIAL ADVERSE CHANGE" shall mean (a) any significant and substantial adverse effect or change in (i) the condition (financial or other), Business, results of operations, Assets, Liabilities or operations of TBC and the TBC Subsidiaries, taken as a whole OR (ii) the ability of TBC or IMR to consummate the Transactions (excluding actions of Dissenting Shareholders exercising rights as such), OR (b) any event or condition which would, with reasonable certainty upon the passage of time, constitute a "Material Adverse Effect" or "Material Adverse Change."

"MATERIAL CONTRACT" shall have the meaning set forth in Section 5.19 hereof.

"MATERIAL CUSTOMER" shall have the meaning set forth in Section 5.30 hereof.

"MATERIAL LEASE" shall have the meaning set forth in Section 5.18 hereof.

"MATERIAL PERMITS" shall have the meaning set forth in Section 5.6 hereof.

"MERGER CONSIDERATION" shall have the meaning set forth in Section 2.3(a) hereof and shall be subject to the Purchase Price Adjustment.

"MERGER" shall have the meaning set forth in Recital B.

"MORTGAGES" shall mean all deeds of trust, mortgages or other debt encumbrances on Owned Real Property.

"MOST RECENT FISCAL QUARTER END FINANCIAL STATEMENTS" shall have the

meaning set forth in Section 5.7 hereof.

"MOST RECENT MONTH END FINANCIAL STATEMENTS" shall have the meaning set forth in Section 5.7 hereof.

"MULTIEMPLOYER PLAN" shall mean any "multiemployer plan," as defined in Section 4001(a)(3) or 3(37) of ERISA, (i) which TBC or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, after September 25, 1980, maintained, administered, contributed to or was required to contribute to, or under which TBC or any ERISA Affiliate may incur any liability and (ii) which covers or has covered any employee or former employee of TBC or any ERISA Affiliate (with respect to their employment relationship with such entities). The term "Multiemployer Plan" shall exclude any "Pension Plan" and, except to the extent provided otherwise by Section 5.12(b)(iii), any "Welfare Plan."

"NON-CORE ASSETS" shall have the meaning set forth in Section 5.24 hereof.

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"ORDINARY COURSE OF BUSINESS" or "ORDINARY COURSE" or any similar phrase shall mean the ordinary course of the Business and consistent with the past practice of TBC and the TBC Subsidiaries.

"OSHA" shall mean the Federal Occupational Safety & Health Act.

"OWNED REAL PROPERTY" shall mean all real property owned in fee by TBC or any of the TBC Subsidiaries, including without limitation all rights, easements and privileges appertaining or relating thereto, all buildings, fixtures and improvements located thereon and all Facilities thereon, if any.

"OWNERSHIP PERIOD" shall mean the period commencing on the date of the IMR Acquisition and continuing through and until the Effective Time.

"PARIBAS OPTION" shall mean that certain Stock Purchase Option pursuant to which Paribas North America, Inc., or its registered assign, has been given the right to purchase from TBC an aggregate of 6,192 shares of TBC Common Stock at the exercise price or prices set forth in such Stock Purchase Option.

"PARTY" or "PARTIES" shall mean, in the singular, each of the Buyer, the Transitory Subsidiary, TBC, IMR and IMR General in the plural, collectively, the Buyer, the Transitory Subsidiary, TBC, IMR and IMR General.

"PATENTS" shall mean all patents and patent applications and registered design and registered design applications.

"PAYMENT AGENT" shall mean IMR General in its role as the agent of the

TBC Stockholders for the purposes of exchanging Certificates for Merger Consideration as provided in Section 2.5(g) hereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"PENSION PLAN" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) (i) which TBC or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, within the five years prior to the Effective Time, maintained, administered, contributed to or was required to contribute to, or under which TBC or any ERISA Affiliate may incur any liability and (ii) which covers or has covered any employee or former employee of TBC or any ERISA Affiliate (with respect to their employment relationship with such entities).

"PERMITS" shall mean all licenses, permits, franchises, approvals, authorizations, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state or local, or any other Person, necessary for the conduct of or the operation of the Business.

"PERMITTED ENCUMBRANCE" shall have the meaning set forth in Section 5.16 hereof.

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"PERSON" shall mean an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"PERSONNEL" shall have the meaning set forth in Section 5.14(c) hereof.

"PRE-CLOSING TAX PERIOD" shall have the meaning set forth in Section 9.2(a)(iii) hereof.

"PROPOSED ACQUISITION TRANSACTION" shall have the meaning set forth in Section 7.2 hereof.

"PURCHASE PRICE" shall have the meaning set forth in Section 2.3(a) hereof.

"PURCHASE PRICE ADJUSTMENT" shall mean the Stockholders' Equity Adjustment.

"PURCHASED INTERESTS" shall have the meaning set forth in Section 2.3(b) hereof.

"RCRA" shall mean the Resource Conservation & Recovery Act (42 U.S.C. Section 6901 ET SEQ.).

"REGULATIONS" shall mean any laws, statutes, ordinances, code, regulations, rules, court decisions and orders of any foreign, federal, state or local government and any other governmental department or agency, including without limitation Environmental Laws, energy, motor vehicle safety, public utility, zoning, building and health codes, occupational safety and health and laws respecting employment practices.

"RELEASE" shall mean and include any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, migrating within the environment or disposing into the environment or the work-place of any Hazardous Material, and otherwise as defined in any Environmental Law.

"RELEASED OBLIGATIONS" shall have the meaning set forth in Section 8.2(1) hereof.

"REPRESENTATIVE" shall mean any officer, director, principal, attorney, agent, employee or other representative.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"SELLERS' TRANSACTIONAL EXPENSES" shall mean, collectively, the costs and expenses or other authorized deductions or expenditures incurred by or on behalf of the Payment Agent, TBC and the TBC Stockholders (in their respective capacities as such) and arising out of or related to this Agreement, the other Transaction Documents and the consummation of the Transactions, including, without limitation, (i) any amounts payable as a Purchase Price Adjustment, (ii)

attorneys', accounting, consulting and other professional fees incurred by such Persons in connection with this Agreement, the other Transaction Documents and the consummation of the Transactions, (iii) fees of financial advisors incurred in connection therewith, (iv) any charges imposed by accountants, attorneys or other agents (v) stock transfer taxes payable pursuant to Section 3.2 hereof, (vi) the unpaid exercise or purchase price of any TBC Stock Option, (vii) any amounts otherwise incurred, payable, anticipated or compromised by the Payment Agent in connection with the purchase of equity interests of TBC, (viii) one-half of any fees and out-of-pocket expenditures incurred in connection with obtaining the Solvency Opinion, and (ix) all amounts incurred or payable which arise from, in connection with or pursuant to Section 9.2 hereof. The Sellers' Transactional Expenses shall not include the following expenses of TBC: (i) preparation and copying of documents and schedules by TBC in connection with the Transactions, (ii) travel, lodging and meals of executives and other employees of TBC related to the Transactions, and (iii) other costs related to the rental of equipment, the use of TBC facilities and equipment and the time expended by TBC executives and other employees in connection with the Transactions.



"SOLVENCY OPINION" shall have the meaning set forth in Section 8.1(r) hereof.

"STOCKHOLDER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 9.2(b) hereof.

"STOCKHOLDERS' AGREEMENT" shall mean that certain agreement dated as of the Effective Date by and among the Buyer, an Affiliate of William E. Simon & Sons, LLC, TCW Special Credits Fund V -- The Principal Fund and certain managers of TBC and the Buyer.

"STOCKHOLDERS' EQUITY ADJUSTMENT" shall have the meaning set forth in Section 3.1(b) hereof.

"STOCKHOLDERS' CONSENT" shall have the meaning set forth in Section 2.1 hereof.

"SUBSIDIARY" shall mean (a) any corporation in an unbroken chain of corporations beginning with TBC if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, (b) any partnership in which TBC or any of the TBC Subsidiaries is a general partner, or (c) any partnership in which TBC or any of the TBC Subsidiaries possesses a 50% or greater interest in the total capital or total income of such partnership.

"SUPPLEMENT" shall have the meaning set forth in Section 10.16 hereof.

"SURVIVING CORPORATION" shall have the meaning set forth in Section 2.2 hereof.

"TAX" or "TAXES" shall mean, except where the usage or context otherwise dictates, any federal, state, local, foreign or other tax, levy, impost, fee, assessment or other government charge, including without limitation income, estimated income, business, occupation, franchise,

property, payroll, personal property, sales, transfer, use, employment, commercial rent, occupancy, franchise or withholding taxes, and any premium, including without limitation interest, penalties and additions in connection therewith for which TBC or any of the TBC Subsidiaries may be liable.

"TAX ACCOUNTING FIRM" shall have the meaning set forth in Section 7.7 hereof.

"TAX AUDIT ADJUSTMENT" shall mean any adjustment to establish or increase a reserve on the Closing Balance Sheet for any audit assessment arising



or resulting from the audit presently being conducted by the IRS and any resulting state income tax adjustments.

"TAX RETURNS" shall mean and include, unless the usage or context otherwise dictates, any federal, state, local and foreign tax returns, declarations, elections, reports and information returns or the refiling of any such Tax Returns previously filed.

"TBC" shall mean The Bekins Company, a Delaware corporation.

"TBC 1993 STOCK OPTION PLAN" shall mean that certain 1993 Stock Option Plan of TBC, as the successor in interest to Bekins Holding Company, adopted as of April 13, 1993.

"TBC COMMON STOCK" shall mean the Common Stock, par value \$.01 per share, of TBC.

"TBC EMPLOYEE STOCK OPTION PLANS" shall mean, collectively, the TBC 1993 Stock Option Plan and the various other employee stock option plans of TBC and/or any TBC Subsidiary, as in effect from time to time, granting options to purchase shares of TBC Common Stock.

"TBC OUTSIDE DIRECTORS' RESTRICTED STOCK PLAN" shall mean that certain Outside Directors' Restricted Stock Plan of TBC adopted as of April 1, 1994.

"TBC PLANS" shall mean all Benefit Arrangements, Multiemployer Plans, Pension Plans and Welfare Plans.

"TBC SHARES" shall mean all of the shares of TBC Common Stock issued and outstanding immediately prior to the Effective Time.

"TBC STOCKHOLDER" shall mean any Person who or which holds (without duplication) shares of TBC Common Stock (including restricted stock awarded under the TBC Outside Directors' Restricted Stock Plan) or any TBC Stock Option or Options; a list of the TBC Stockholders and the shares of TBC Common Stock and TBC Stock Options owned by each is attached as Exhibit B hereto.

"TBC STOCK OPTIONS" shall mean, collectively, (a) the Paribas Option, (b) the options to purchase shares of TBC Common Stock granted pursuant the TBC Employee Stock

Option Plans and (c) any other outstanding options, warrants or rights to purchase or subscribe for shares of TBC Common Stock.

"TBC SUBSIDIARIES" shall mean, collectively, the Subsidiaries of TBC, each of which is set forth on Exhibit C hereof.

"TRADEMARKS" shall mean registered trademarks, registered service marks, trademark and service mark applications and unregistered trademarks and service marks.

"TRANSACTION DOCUMENTS" shall mean this Agreement and the ancillary agreements and instruments executed, filed or otherwise prepared, exchanged or delivered in accordance with this Agreement.

"TRANSACTIONS" shall mean the Merger and the other transactions contemplated by the Transaction Documents.

"TRANSITORY SUBSIDIARY" shall mean Trasub, Inc., a Delaware corporation.

"TRANSITORY SUBSIDIARY COMMON STOCK" shall mean the Common Stock, \$.01 par value per share, of the Transitory Subsidiary.

"WELFARE PLAN" shall mean any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, (i) which TBC or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or under which TBC or any ERISA Affiliate may incur any Liability and (ii) which covers or has covered any employee or former employee of TBC or any ERISA Affiliate (with respect to their employment relationship with such entities), but excluding any Multiemployer Plan.

"YEAR END BALANCE SHEET" shall mean the consolidated balance sheet of TBC and the TBC Subsidiaries, dated the Year End Balance Sheet Date, together with notes thereon, prepared in accordance with GAAP and previously delivered to the Buyer and attached hereto as SCHEDULE 1.1.

"YEAR END BALANCE SHEET DATE" shall mean March 31, 1995.

"YEAR END FINANCIAL STATEMENTS" shall mean the Year End Balance Sheets and the audited consolidated statements of operations and income, changes in stockholders' equity and cash flow of TBC and the TBC Subsidiaries for the period ended on the Year End Balance Sheet Date, prepared in accordance with GAAP and previously delivered to the Buyer and attached hereto as SCHEDULE 1.1.

## ARTICLE II.

### THE MERGER

2.1 APPROVAL OF THE TRANSACTIONS. The Transactions and the Transaction Documents shall be submitted for adoption and approval of the holders of TBC Shares as set forth in SCHEDULE 5.2 in a manner allowed under the Delaware

law (the "STOCKHOLDERS' CONSENT"). The Buyer, the Transitory Subsidiary, IMR and TBC shall coordinate and cooperate with respect to the timing of such Stockholders' Consent. The Board of Directors of TBC shall recommend that the holders of TBC Shares approve this Agreement, the other Transaction Documents and the Transactions.

2.2 THE MERGER. As soon as is practicable after the satisfaction or waiver of the conditions contained herein, the Parties hereto will cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware the Certificate of Merger (the time of such filing being the "EFFECTIVE TIME," and the date upon which the Effective Time occurs, the "EFFECTIVE DATE"). At the Effective Time, in accordance with this Agreement and the Delaware Law, the Transitory Subsidiary shall be merged with and into TBC, the separate existence of the Transitory Subsidiary (except as may be continued by operation of law) shall cease, and TBC shall continue as the surviving corporation under the corporate name it possesses immediately prior to the Effective Time. The Transitory Subsidiary and TBC are sometimes referred to herein as the "CONSTITUENT CORPORATIONS," and TBC is sometimes referred to herein as the "SURVIVING CORPORATION."

### 2.3 EFFECT OF THE MERGER.

(a) Except for Dissenting Shares, each TBC Share shall automatically be converted into the right to receive an amount in cash equal to (i) Thirty-Two Million One Hundred and Ninety-Five Thousand Three Hundred and Four (\$32,195,304), less the amount of TBC's tax withholding obligations with respect to the Purchased Interests (as defined in Section 2.3(b) below) as set forth in an Exhibit to this Agreement to be completed prior to the Closing (the "PURCHASE PRICE") divided by (ii) the aggregate number of TBC Shares described in SCHEDULE 5.2 (the per TBC Share consideration shall be referred to herein as the "MERGER CONSIDERATION"). The Merger Consideration shall be subject to the Stockholders' Equity Adjustment, and the Merger Consideration payable to each holder of TBC Shares will be reduced by such holder of TBC Shares' pro-rata share of the Sellers' Transactional Expenses as computed by the Payment Agent.

(b) Prior to the Effective Time, the Payment Agent will purchase all outstanding TBC Common Stock and TBC Stock Options (with the exception of TBC Common Stock owned by IMR, Bank of America, Robert Wheaton, Andrew Estoclet, Gary Holter, Larry Marzullo and the Buyer) (collectively, the "PURCHASED INTERESTS") at a per share price agreed upon by the Payment Agent and such TBC Stockholder. Such purchases will be Sellers' Transactional Expenses. All such Purchased Interests shall then be contributed to TBC and held in treasury by TBC or cancelled, retired or otherwise extinguished.

(c) Each TBC Share held in treasury by TBC or owned by the Transitory Subsidiary, the Buyer or any direct or indirect subsidiary of the

Transitory Subsidiary, the Buyer or TBC, shall be cancelled and retired, and no payment shall be made with respect thereto.

(d) Each share of Transitory Subsidiary Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

(e) At and after the Effective Date, the Surviving Corporation shall possess all the rights, privileges, powers and franchises of a public as well as of a private nature, and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; and all singular rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to either the Constituent Corporations on whatever account, as well as for stock subscriptions and all other things in action or belonging to each of the Constituent Corporations, shall be vested in the Surviving Corporation, and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise, in either of the Constituent Corporations, shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts and liabilities had been incurred by it.

2.4 DISSENTING SHARES. Notwithstanding anything in this Agreement to the contrary, Dissenting Shares shall not be converted into the right to receive the Merger Consideration, but holders of such shares shall be entitled to receive payment of the appraised value of such shares in accordance with the provisions of Section 262 of the Delaware Law, except that any Dissenting Shares held by a stockholder who shall thereafter withdraw such demand for appraisal of such shares, or shall lose the right to appraisal as provided in such Section 262, shall thereupon be deemed to have been converted at the Effective Time into the right to receive the Merger Consideration, without interest thereon. The Payment Agent shall direct, at its own cost and expense with such cost and expenses considered part of the Sellers' Transactional Expenses, all negotiations and proceedings with respect to demands for appraisals under the Delaware Law and shall be responsible for paying any and all amounts required to be paid to holders of Dissenting Shares thereunder and any other amounts due to the Dissenting Stockholders as a result of this Agreement and the consummation of the Transactions.

## 2.5 SURRENDER AND PAYMENT.

(a) Prior to the Effective Time, the holders of TBC Shares shall appoint IMR General to act as the Payment Agent for the purpose of exchanging certificates representing TBC Shares that are not Dissenting Shares

("CERTIFICATES") for the Merger Consideration. At the Effective Time, the Buyer shall deposit or cause to be deposited with the Payment Agent funds in the amount of the Purchase Price (the "FUNDS"). The Payment Agent will send to each holder

of TBC Shares a letter of transmittal (or other appropriate notification and transmittal document) for use in such exchange (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the Certificates to the Payment Agent). The Payment Agent shall instruct TBC to cancel all such Certificates and shall promptly deliver them to the Surviving Corporation at the Closing against delivery of the Funds.

(b) Each holder of TBC Shares that have been converted into the Merger Consideration, upon surrender to the Payment Agent of a Certificate or Certificates representing such shares, together with a properly completed letter of transmittal or other appropriate document covering such shares, will be entitled, subject to Section 2.5(g) below, to receive the Merger Consideration payable in respect of such TBC Shares, without interest. Until so surrendered, each such Certificate shall after the Effective Time represent for all purposes only the right to receive such Merger Consideration from the Payment Agent as provided herein.

(c) If any portion of the Merger Consideration is to be paid other than to the registered holder of the TBC Shares represented by the Certificate or Certificates surrendered in exchange therefor, it shall be a condition to such payment that the Certificate or Certificates so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the Person requesting such payment shall pay to the Surviving Corporation any transfer or other taxes required as a result of such payment or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not payable.

(d) After the Effective Time, there shall be no further registration or transfers of shares of TBC Common Stock on the stock transfer books of TBC. If, after the Effective Time, certificates representing shares of TBC Common Stock are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger Consideration, without interest thereon, in accordance with the procedures set forth in this Article II.

(e) If, on or after the date of this Agreement and prior to the Effective Time, the outstanding shares of TBC Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, split-up, combination, exchange or shares or readjustment, or a stock dividend or other extraordinary dividend or distribution thereon shall be declared with a record date within said period, the amount of the Merger Consideration shall be correspondingly

adjusted.

(f) The right of any TBC Stockholder to receive the Merger Consideration or, in the case of the Purchased Interests, other consideration, shall be subject to and reduced by any required tax withholding obligation.

(g) IMR General, in its capacity as Payment Agent, shall have the authority, without limitation, to determine the amount of the Sellers' Transactional Expenses, shall determine, review, negotiate and pay all of such expenses and other amounts determined, in its sole discretion, to be necessary or desirable to disburse in connection with the Transactions, to purchase equity (I.E., stock and option) interests on behalf of the TBC Stockholders, to pursue or compromise indemnification liability by or on behalf of one or more of the TBC Stockholders and

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to withhold reserves sufficient for, in its sole discretion, payment of all other Liabilities related to the Transactions, including, without limitation, the Purchase Price Adjustment requiring a payment to the Buyer. The Payment Agent shall for all purposes be deemed the sole authorized agent of each TBC Stockholder with respect to calculation and distributions of pro-rata amounts delivered to it by the Buyer under this Article II, and each such TBC Stockholder, in approving this Agreement, consents and approves such agency and all actions taken by the Payment Agent pursuant to it. Any action or failure to act so taken (or not taken) by the Payment Agent shall constitute a decision of each TBC Stockholder, and shall be final, binding and conclusive upon each TBC Stockholder. The Buyer, the Transitory Subsidiary and, after the Effective Time, the Surviving Corporation may rely upon any decision, act, consent or instruction of the Payment Agent as being the decision, act, consent or instruction of each and all of the TBC Stockholders. The Buyer, the Transitory Subsidiary and, after the Effective Time, the Surviving Corporation are relieved from any Liability to any Person for any acts done by them in accordance with any such decision, act, consent or instruction. IMR agrees to indemnify and hold harmless the Buyer, its Affiliates and, after the Effective Time, the Surviving Corporation from and against any Liabilities any of them may incur as a result of or connected with the actions or failures to act by the Payment Agent or its Representatives or agents.

2.6 CHARTER DOCUMENTS; DIRECTORS; OFFICERS. After the Effective Time, (i) the Certificate of Incorporation and the Bylaws of the Transitory Subsidiary shall be the Certificate of Incorporation and Bylaws of the Surviving Corporation, until thereafter amended as provided therein and under the Delaware Law, (ii) the directors of the Transitory Subsidiary immediately prior to the Effective Date will be the initial directors of the Surviving Corporation, until their successors are elected and qualified, and (iii) the officers of TBC immediately prior to the Effective Date will be the initial

officers of the Surviving Corporation, until their successors are elected and qualified.

## ARTICLE III.

### PURCHASE PRICE ADJUSTMENT

#### 3.1 PURCHASE PRICE ADJUSTMENT.

(a) CLOSING BALANCE SHEET. As promptly as practicable after the Effective Time (but in no event more than 60 days after the Effective Time), TBC will prepare and deliver to the Payment Agent and Buyer the fiscal 1996 audited consolidated financial statements for the fiscal year ended March 31, 1996 of TBC and the TBC Subsidiaries (the "CLOSING FINANCIAL STATEMENTS"), prepared in accordance with GAAP, including notes thereto, and audited by Arthur Andersen, LLP. The Closing Financial Statements shall be obtained at the expense of TBC. The balance sheet contained in the Closing Financial Statements shall be referred to herein as the "CLOSING BALANCE SHEET." The Payment Agent and Buyer, and their respective firms of independent public accountants (as designated by the Payment Agent ("IMR'S ACCOUNTANTS") and as designated by Buyer ("DELOITTE")), if any, will be entitled to reasonable access during normal business hours to the relevant records and working papers of TBC and Arthur Andersen, LLP to

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aid in their review of the Closing Financial Statements. The Payment Agent shall be responsible for all costs of IMR's Accountants. Buyer shall be responsible for all costs of Deloitte. The Closing Financial Statements shall be deemed to be accepted by IMR and Buyer and shall be conclusive for the purposes of the Purchase Price Adjustment, except to the extent, if any, that the Payment Agent or Buyer shall deliver, within thirty (30) days after the date on which the Closing Financial Statements are delivered to the Payment Agent and the Buyer, a written notice to TBC from either or both the Payment Agent or Buyer, as applicable, with a copy to the other Party stating each and every item to which the Payment Agent or Buyer takes exception as not being in accordance with GAAP or as having computational errors, specifying in detail the nature and extent of any such exception (it being understood that any amounts not disputed shall be paid promptly). The change item or items taken exception to by the Payment Agent or Buyer must include all identified positive and negative improperly recorded or unrecorded adjustments that individually are in excess of \$65,000 and, in the aggregate, result in a net reduction of stockholders' equity in excess of \$65,000. If a change proposed by IMR or Buyer is disputed by the other Party, then TBC, the Payment Agent and Buyer shall negotiate in good faith to resolve such dispute. If, after a period of thirty (30) days following the date on which the Payment Agent or Buyer gives notice to TBC and the other Party of any proposed change, any such proposed change still remains disputed, then the



Payment Agent and Buyer shall together choose an independent firm of public accountants of nationally recognized standing (the "ACCOUNTING FIRM") to resolve any remaining disputes. The Accounting Firm shall act as an arbitrator to determine, applying its expertise and knowledge of both general accounting principles and the industry in question, based on workpapers and presentations by the Payment Agent and Buyer, and not by independent review of facts, only those issues still in dispute. In reaching its decisions the Accounting Firm shall use the lowest amount or amounts asserted by a Party as a floor and the highest amount or amounts asserted by a Party as a ceiling in the determination of all disputes. The Accounting Firm's decision shall fall within the parameters set by those amounts and shall be final and binding and shall be in accordance with the provisions of this Section 3.1. The fees and expenses of the Accounting Firm, if any, shall be paid equally by the Payment Agent and Buyer; PROVIDED, HOWEVER, that, if the Accounting Firm determines that either Party's position is, in all material respects, correct, then the other Party shall pay the fees charged by the Accounting Firm in connection with any such determination. Interest on any unpaid portion of any Purchase Price Adjustment shall be accrued at an annual rate of 10% from the date of notice of such dispute through the date of payment of such unpaid amount. Such interest shall be remitted by the Payment Agent together with the amount, if any, of the portion of the adjustment described in this Section 3.1 remaining to be paid.

(b) STOCKHOLDERS' EQUITY ADJUSTMENT.

(i) In the event that there is a Stockholders' Equity Deficiency (as defined below) with respect to TBC as determined solely by the Closing Balance Sheet, the Payment Agent shall pay to the Buyer an amount equal to the Stockholders' Equity Deficiency with respect to TBC. Any payments required to be made by the Payment Agent pursuant to this Section 3.1(b) (a "STOCKHOLDERS' EQUITY ADJUSTMENT") shall be made (without any contribution or set-off) within ten days of the date of final determination of

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the Stockholders' Equity Deficiency by wire transfer of immediately available funds to an account designated by the Buyer.

(ii) The term "STOCKHOLDERS' EQUITY DEFICIENCY" shall mean the amount, if any, by which the sum of the consolidated stockholders' equity of TBC and the TBC Subsidiaries on the Closing Balance Sheet plus the amount of any Tax Audit Adjustment is less than \$8,700,000. Any such Stockholders' Equity Deficiency shall be payable by the Payment Agent to Buyer on a dollar-for-dollar basis only, with interest thereon as set forth in Section 3.1(a) above.

3.2 TRANSFER TAXES. The Payment Agent, on behalf of the Former Holders, shall be responsible for any stock transfer taxes and any sales, use or other taxes imposed by reason of the transfer of the capital stock of TBC to Buyer



as provided hereunder and any deficiency, interest or penalty asserted with respect thereto.

#### ARTICLE IV.

##### CLOSING

4.1 CLOSING. Upon the terms and subject to the conditions set forth herein, the Closing shall be held at 10:00 a.m. local time on the Effective Date (or as soon thereafter on such date as is practicable) at the offices of Latham & Watkins, 633 West Fifth Street, Suite 4000, Los Angeles, California 90071, unless the Parties hereto otherwise agree.

4.2 DELIVERIES AT CLOSING. At the Closing the following actions shall be taken:

(a) DELIVERY OF PURCHASE PRICE. The Buyer will deliver to the Payment Agent the Purchase Price by wire transfer of immediately available funds to an account directed by the Payment Agent's written instructions delivered to the Buyer at least two (2) days prior to the Closing Date.

(b) DELIVERY OF CERTIFICATES. The Payment Agent will deliver to the Buyer all of the Certificates in the possession of the Payment Agent as contemplated by Section 2.5(a).

(c) CERTIFICATE OF MERGER. The Certificate of Merger will be filed with the Secretary of State of the State of Delaware.

(d) TBC CERTIFICATES; OPINIONS. TBC, IMR and IMR General will deliver the certificates, opinions of counsel and other items described in Section 8.1 or as otherwise reasonably required by the Transitory Subsidiary and the Buyer and such other evidence of the performance of all the covenants and the satisfaction of all conditions required of TBC, IMR and IMR General by this Agreement and as the Transitory Subsidiary and the Buyer shall reasonably require.

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(e) TRANSITORY SUBSIDIARY AND BUYER CERTIFICATES; OPINIONS. The Transitory Subsidiary and the Buyer will deliver the certificates, opinions of counsel and other items described in Section 8.2 or as otherwise reasonably required by TBC, IMR and IMR General and such other evidence of the performance of all the covenants and the satisfaction of all conditions required of the Transitory Subsidiary and the Buyer by this Agreement and as TBC, IMR and IMR General shall reasonably require.

(f) OTHER TRANSACTION DOCUMENTS. The Parties shall deliver such other Transaction Documents as shall be reasonably necessary to consummate

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF TBC, IMR AND IMR GENERAL

TBC, IMR and, solely with respect to Section 5.4(b), IMR General hereby, jointly and severally, represent and warrant to the Transitory Subsidiary and the Buyer that, except as otherwise set forth on the Disclosure Schedule (which Disclosure Schedule sets forth the Schedules referred to in this Article V), the following representations and warranties are, as of the date hereof, and will be, as of the Effective Date, true and correct:

5.1 ORGANIZATION, QUALIFICATION AND CORPORATE POWER. Each of TBC and the TBC Subsidiaries is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation. TBC and each of the TBC Subsidiaries is duly qualified to conduct business, properly licensed and is in good standing under the laws of each jurisdiction where such qualification and licensing is required, except where the failure to be so qualified, licensed or in good standing would not have a Material Adverse Effect. SCHEDULE 5.1 contains an accurate and complete list of all jurisdictions in which TBC and each of the TBC Subsidiaries are qualified to do business as foreign corporations. TBC and each of the TBC Subsidiaries has full corporate power and authority to carry on the Business and to own, lease and use the properties and Assets owned, leased and used by it. TBC has previously delivered copies of the Articles (or Certificate) of Incorporation and Bylaws of TBC and each of the TBC Subsidiaries, and all amendments thereto, which are accurate and complete as of the date hereof.

5.2 CAPITALIZATION. The entire authorized capital stock of TBC consists of one class of capital stock, which is TBC Common Stock and of which 114,118 shares will be issued and outstanding as of the Closing Date. All of the issued and outstanding shares of such TBC Common Stock have been duly authorized and are validly issued, fully paid, and nonassessable. TBC has title free and clear of all Encumbrances to all of the outstanding shares of capital stock of each TBC Subsidiary. Each holder of shares of such TBC Common Stock has, or will have at Closing, title to the shares of such TBC Common Stock set forth next to the name of such TBC Stockholder on SCHEDULE 5.2 hereto free and clear of all Encumbrances with full right, power and authority to transfer such shares to the Buyer. As of the Closing Date, there shall be no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require TBC or any of the

of its capital stock, or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by TBC or any of the TBC Subsidiaries. There are no other outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights payable by TBC or any of the TBC Subsidiaries with respect to TBC or any of the TBC Subsidiaries.

5.3 AUTHORIZATION OF TBC. TBC has full power and authority (including full corporate power and authority), and has taken all corporate action necessary, to own, lease and operate the Assets, to conduct the Business as it is presently being conducted, to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder and consummate the Transactions. This Agreement and the other Transaction Documents to which it is a party constitute the valid and legally binding obligations of TBC and, assuming due execution of this Agreement by the Buyer and the Transitory Subsidiary and of such other Transaction Documents by the parties thereto, are enforceable against TBC in accordance with their respective terms and conditions, except to the extent that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, regardless of whether asserted in a proceeding in equity or at law.

#### 5.4 AUTHORIZATION OF IMR AND IMR GENERAL.

(a) IMR represents and warrants that it has the requisite power and authority, and has taken all action necessary to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and the other Transaction Documents to which it is a party constitute the valid and legally binding obligations of IMR and, assuming due execution of this Agreement by the Buyer and the Transitory Subsidiary and of such other Transaction Documents by the parties thereto, are enforceable against IMR in accordance with their respective terms and conditions, except to the extent that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, regardless of whether asserted in a proceeding in equity or at law. IMR has approved the terms of this Agreement and the Transactions.

(b) IMR General has full power and authority (including full corporate power and authority), and has taken all corporate action necessary, to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and the other Transaction Documents to which it is a party constitute the valid and legally binding obligations of IMR General and, assuming due execution of this Agreement by the Buyer and the Transitory Subsidiary and of such other Transaction Documents by the parties thereto, are enforceable against IMR General in accordance with their respective terms and conditions, except to the extent that enforceability may be subject to

applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, regardless of whether asserted in a proceeding in equity or at law.

5.5 NONCONTRAVENTION. Except as set forth in SCHEDULE 5.5 and, except in the cases of each of clauses (ii), (iii) and (iv) below where the violation, conflict, breach, Default, acceleration, termination, modification, cancellation, failure to give notice, or creation of Encumbrance would not, either individually or in the aggregate, have a Material Adverse Effect, none of the execution, delivery or performance of this Agreement or the other Transaction Documents, nor the consummation of the Transactions, will (i) violate or conflict with any provision of the Certificate (or Articles) of Incorporation or Bylaws of TBC or any of the TBC Subsidiaries, (ii) violate any Regulation (excluding notice requirements and approvals of "change of control") or Court Order to which TBC or any of the TBC Subsidiaries is subject, (iii) violate, conflict with, result in a breach of, constitute a Default under, result in the acceleration or termination of, create in any party the right to accelerate, terminate, modify, or cancel any Material Contract listed in SCHEDULE 5.19, Material Lease listed in SCHEDULE 5.18, license or Material Permit listed in SCHEDULE 5.6, except to the extent such Default is set forth in any such Schedule, or (iv) impose any Encumbrance on the Assets or the Business.

5.6 PERMITS, CONSENTS AND APPROVALS. SCHEDULE 5.6 sets forth a complete list of all material Permits used in the operation of the Business (or otherwise held by TBC and any of the TBC Subsidiaries) for the purpose of (i) inter- or intrastate transportation of goods via motor vehicles used in the Business, and (ii) operation of the BMS Facilities (collectively (i) and (ii) referred to as the "MATERIAL PERMITS" or individually as a "MATERIAL PERMIT"). Except as set forth on SCHEDULE 5.6, each Material Permit is valid, binding and in full force and effect. Except as set forth in SCHEDULE 5.6, TBC and each TBC Subsidiary has, and at all times during the Ownership Period has had, all Material Permits required under Regulations pertaining thereto and owns or possesses such Material Permits free and clear of all Encumbrances. Except as set forth on SCHEDULE 5.6, to the Knowledge of TBC, neither TBC nor any of the TBC Subsidiaries is in Default, nor has TBC or any of the TBC Subsidiaries received any notice of any claim of Default, with respect to any Material Permit listed on SCHEDULE 5.6. To the Knowledge of TBC, no present or former stockholder, director, officer or employee of TBC or any of the TBC Subsidiaries or any Affiliate thereof, or any other Person, firm, corporation or other entity, owns or has any proprietary, financial or other interest (direct or indirect) in any Material Permit which TBC or any of the TBC Subsidiaries owns, possesses or uses. Other than in connection with the provisions of the HSR Act, the Delaware Law, the Interstate Commerce Commission (or other similar federal transportation authority, as applicable) and any state authorities regulating the provision of transportation

services, and except as provided in SCHEDULE 5.6, TBC and the TBC Subsidiaries need not give any notice to, make any declaration, filing or registration with, or obtain any Material Permit from any government or governmental agency in connection with the execution, delivery and performance of this Agreement and the consummation of the Transactions, except where the failure to give any notice, to make any filing, or to obtain any Material Permit would not have a Material Adverse Effect.

5.7 FINANCIAL STATEMENTS. TBC has provided to Buyer (i) monthly unaudited consolidated financial statements for each of the months beginning at the Most Recent Fiscal Quarter End (as defined below) through and including the month ended February 29, 1996 (the "MOST RECENT MONTH END FINANCIAL STATEMENTS"), (ii) the unaudited consolidated financial statements for the fiscal quarter ended December 31, 1995 (the "MOST RECENT FISCAL QUARTER END

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FINANCIAL STATEMENTS"), and (iii) the Year End Financial Statements (clauses (i), (ii) and (iii) collectively referred to herein as the "FINANCIAL STATEMENTS"). The Year End Financial Statements have been audited by Arthur Andersen, LLP whose reports thereon are included therewith. The Year End Financial Statements (i) are in accordance with the Books and Records of TBC, (ii) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby and (iii) present fairly the financial condition, assets, liabilities (including all reserves), stockholders' equity, cash flow and results of operations of TBC and the TBC Subsidiaries as of the indicated dates and the results of operations and changes in cash flows of TBC and the TBC Subsidiaries for the indicated periods. Except as provided in SCHEDULE 5.7, the Financial Statements (i) are in accordance with the Books and Records of TBC and (ii) present fairly the financial condition, assets, liabilities (including all reserves), stockholders' equity, cash flow and results of operations of TBC and the TBC Subsidiaries as of the indicated dates and the results of operations and changes in cash flows of TBC and the TBC Subsidiaries for the indicated periods (except, in the case of the Most Recent Month End Financial Statements and the Most Recent Fiscal Quarter End Financial Statements, for the absence of such normal and recurring adjustments, which were not or are not expected to be material to such financial statements taken as a whole, AND the absence of notes that, if presented, would not differ materially from those included in the Year End Financial Statements). In the event of an adverse determination of the audit presently being conducted by the IRS, the sole indemnification remedy of Buyer and the Transitory Subsidiary shall be indemnification as set forth in Section 9.2(a)(iii) hereof, and any other claim for a breach of representations or warranties with respect thereto shall be precluded. If a reserve attributable to a particular category of insurance claims on any Financial Statement is not adequate to meet the liability to be discharged subsequent to the date of such Financial Statement, such deficiency shall not be deemed to be a breach or violation of this representation and warranty to

the extent it is or can be offset by any excess reserve (current or long-term) attributable to a separate category of insurance claims on such Financial Statement.

5.8 BROKERS' FEES. TBC and the TBC Subsidiaries have no liability or obligation to pay any fees or commissions to any broker or finder with respect to the Transactions. None of Buyer, TBC, any TBC Subsidiary, the Transitory Subsidiary or the Surviving Corporation will have any liability or other obligation with respect to any Sellers' Transactional Expenses.

5.9 LITIGATION. Except as set forth in SCHEDULE 5.9, no Actions (excluding auto or general liability claims for bodily injury, property damage, product liability and workers' compensation claims described below), individually or, if related to a single set of circumstances in the aggregate, involving more than \$50,000 are pending or, to the Knowledge of TBC, threatened (a) against, related to or affecting (i) TBC, any of the TBC Subsidiaries, their respective properties, the Business or the Assets, (ii) any TBC Plan or any trust or other funding instrument, fiduciary or administrator thereof as such, (iii) any officers or directors of TBC or any of the TBC Subsidiaries as such, (iv) the TBC Stockholders as such, or (v) the Transactions, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (b) that seeks to delay, limit or enjoin the Transactions as contemplated herein, (c) that involve the risk of criminal liability, or (d) in which TBC or any of the TBC Subsidiaries is a plaintiff, including any derivative suits brought by or on behalf of TBC or any of the TBC Subsidiaries. Except as set forth in SCHEDULE 5.9, to the

Knowledge of TBC neither TBC nor any of the TBC Subsidiaries is in default with respect to or subject to any Court Order binding on TBC or its Subsidiaries, and there are no unsatisfied judgments against TBC or any of the TBC Subsidiaries, the Business or the Assets. Except as disclosed in SCHEDULE 5.9, there are no Court Orders or agreements with, or to the Knowledge of TBC liens by, any governmental authority or quasi-governmental entity relating to any Environmental Law which regulate, obligate, bind or in any material way affect TBC or any of the TBC Subsidiaries.

The auto or general liability claims for bodily injury, property damage, product liability and workers' compensation claims against TBC and TBC Subsidiaries have been or are managed by various third party administrators, including Crawford & Co., GAB, Alexsis and Hartford Insurance Co., each of which provides periodic claim runs (the "CLAIM RUNS"). In addition, TBC and the TBC Subsidiaries are also insured for workers' compensation by certain insurance companies and state compensation funds that provide periodic claim runs. TBC and the TBC Subsidiaries have made available to Buyer the most recent Claim Runs and the workers' compensation insurance company and stock compensation fund claim runs available as of March 31, 1996 relating to such



claims. As threats of litigation in connection with the Business are normal and recurring on a day-to-day basis, no schedule of threatened litigation in connection with such claims in excess of \$50,000 will be provided to Buyer unless such threat has been received in writing by TBC or any of the TBC Subsidiaries. To TBC's Knowledge, there are no Actions exceeding \$50,000 presently threatened in the manner set forth above, or otherwise pending, which are not set forth on the Claim Runs or set forth on SCHEDULE 5.9 hereto.

5.10 UNDISCLOSED LIABILITIES. Except for Liabilities which are (i) individually less than \$50,000 and in the aggregate less than \$1,000,000, or (ii) reflected and reserved against in the Financial Statements, which have not been paid or discharged since the date thereof, or (iii) disclosed in SCHEDULE 5.10, neither TBC nor any of the TBC Subsidiaries has any Liabilities of any nature, whether absolute, accrued, contingent, fixed or otherwise, due or to become due.

#### 5.11 TAXES.

(a) INCOME TAX RETURNS AND PAYMENTS. During the Ownership Period TBC and each of the TBC Subsidiaries (and any affiliated, unitary or combined group of which TBC or any of the TBC Subsidiaries is now or has been a member) has duly filed all material federal, state or local income Tax Returns required to be filed by it through the date hereof. Such income Tax Returns and other information filed are complete and accurate in all material respects and properly reflect the Liabilities in respect of income Taxes of TBC and the TBC Subsidiaries. TBC and each of the TBC Subsidiaries have duly paid or made adequate provision for payment of all such income Taxes which are shown to be due and payable pursuant to such income Tax Returns or which have been shown to have become due and payable pursuant to any assessment with respect to such income Taxes. TBC and each of the TBC Subsidiaries have duly paid all material estimated income Taxes required to be paid (for income Tax Returns to be filed for the fiscal year ending March 31, 1996) prior to the Effective Time. Except as specified in SCHEDULE 5.11, as of one day prior to the Closing Date neither TBC or any TBC Subsidiary has requested any extension of time which is presently in effect within which to file income Tax Returns for any period within

the Ownership Period through March 31, 1996. TBC has delivered and Buyer acknowledges receipt of complete and accurate copies of federal and state income Tax Returns of TBC and each of the TBC Subsidiaries for the fiscal years ending 1991, 1992, 1993, 1994 and 1995.

(b) NON-INCOME TAX RETURNS AND PAYMENTS. TBC and each of the TBC Subsidiaries has duly filed all material non-income Tax Returns required to be filed by it as of the date hereof, except where TBC or any of the TBC Subsidiaries does not have Knowledge that such a non-income based Tax has or may be imposed or where TBC or any TBC Subsidiary has a good faith basis to

believe that such a non-income based Tax is not applicable to its Business. To the Knowledge of TBC, such non-income based Tax Returns and other information filed are complete and accurate in all material respects and, subject to periodic audits of federal, state and local authorities, properly reflect the Liabilities in respect of such non-income Taxes of TBC and the TBC Subsidiaries. TBC and each of the TBC Subsidiaries have duly paid non-income based Taxes occurring in the ordinary course of business or made adequate provision for payment of such non-income Taxes which are shown to be due and payable in accordance with the customary accounting practices of TBC and the TBC Subsidiaries.

(c) AUDITS, INVESTIGATIONS OR CLAIMS. Except as set forth in SCHEDULE 5.11, the consolidated federal income Tax Returns of TBC and the TBC Subsidiaries which were due as of the Effective Time have been filed with the IRS, and except to the extent shown therein and except for the deficiencies which may result from the audit presently being conducted by the IRS of the consolidated federal income tax returns of TBC and the TBC Subsidiaries for the fiscal year ended March 31, 1993 and any resulting federal or state income Tax liabilities, no material unpaid deficiencies for Taxes have been claimed, proposed or assessed by any taxing or other governmental authority against TBC or any of the TBC Subsidiaries. Except as set forth in SCHEDULE 5.11 and excluding non-income Tax audits by state and local authorities (which cannot be predicted, but are expected in the ordinary course of business) and the effect of the present IRS audit and any resulting state income tax effect, there are no pending or, to the Knowledge of TBC, threatened audits, investigations or claims for or relating to any material additional Liability in respect of income Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in the reasonable judgment of IMR or TBC are likely to result in a material additional Liability for income Taxes. Except as set forth on SCHEDULE 5.11, there have been no audits of Tax Returns (other than the present IRS audit) by the relevant taxing authorities for any period for which an applicable statute of limitations is open which are anticipated to exceed a present potential Liability of \$25,000 and, to the Knowledge of TBC except for non-income Tax audits by state and local authorities and except as set forth in SCHEDULE 5.11, neither TBC nor any of the TBC Subsidiaries has been notified that any income taxing authority intends to audit a return for any period. Except as set forth in SCHEDULE 5.11, no extension of a statute of limitations relating to Taxes is in effect or has been requested by any taxing authority with respect to TBC or any of the TBC Subsidiaries.

(d) DISCLOSURE OF UNDERSTATEMENT. Except as set forth in SCHEDULE 5.11, all transactions during the Ownership Period that could give rise to an understatement of the federal income tax liability of TBC or any of the TBC Subsidiaries within the meaning of Section 6662(d)

of the Code are adequately disclosed on the Tax Returns in accordance with



(e) CHANGE IN ACCOUNTING METHOD. Except as set forth in SCHEDULE 5.11, during the Ownership Period neither TBC nor any of the TBC Subsidiaries have made any change in accounting methods for tax reporting purposes, received a ruling from any taxing authority or signed an agreement with any taxing authority that would have a Material Adverse Effect.

(f) NO TAX SHARING AGREEMENT. Except as set forth in SCHEDULE 5.11, during the Ownership Period neither TBC nor any of the TBC Subsidiaries are parties to or are bound by or have any obligation under any tax sharing, allocation or indemnity agreement or other similar contract or agreement.

(g) NO TAX CONSENTS. Except as set forth in SCHEDULE 5.11, during the Ownership Period neither TBC nor any of the TBC Subsidiaries have with respect to any Assets or property held, acquired or to be acquired, filed a consent to the application of Section 341(f) of the Code, or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(4) of the Code) owned by TBC or any of the TBC Subsidiaries.

(h) NO LIABILITIES OF ANY OTHER PERSON. Except as set forth in SCHEDULE 5.11, during the Ownership Period neither TBC nor any of the TBC Subsidiaries are subject to Liabilities for Taxes of any other Person, including, without limitation, liability arising from the application of U.S. Treasury Regulation Section 1.1502-6 or any analogous provision of Tax law.

(i) LIEN. To the Knowledge of TBC and except as set forth in SCHEDULE 5.11, there are no liens for Taxes (other than for current Taxes not yet due and payable) on the Assets.

(j) SAFE HARBOR LEASE PROPERTY. Except as set forth in SCHEDULE 5.11, none of the Assets is property that is required to be treated as being owned by any other Person pursuant to the so-called safe harbor lease provisions of former Section 168(f)(8) of the Code.

(k) SECURITY FOR TAX-EXEMPT OBLIGATIONS. Except as set forth in SCHEDULE 5.11, none of the Assets directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(l) TAX-EXEMPT USE PROPERTY. Except as set forth in SCHEDULE 5.11, none of the Assets is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(m) FOREIGN PERSON. Except as set forth in SCHEDULE 5.11, neither TBC nor any of the TBC Subsidiaries is a Person other than a United States Person within the meaning of the Code.

(n) NO WITHHOLDING. Except as set forth in SCHEDULE 5.11, the transaction contemplated herein is not subject to the federal income tax withholding provisions of Section 3406 of the Code, or of Subchapter A of Chapter 3 of the Code or of any other provision of law.

(o) CONSOLIDATED TAX RETURN. Except as set forth in SCHEDULE 5.11, during the Ownership Period neither TBC nor any of the TBC Subsidiaries has ever been a member of any other affiliated group of corporations, within the meaning of Section 1504 of the Code.

(p) PARTNERSHIP. Except as set forth in SCHEDULE 5.11, neither TBC nor any of the TBC Subsidiaries is a party to any joint venture, partnership, or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

(q) PARACHUTE PAYMENTS. Neither TBC nor any of the TBC Subsidiaries has or will have as a consequence of the Transactions any liability for the payment of a non-deductible parachute payment as defined in Section 280G of the Code.

#### 5.12 EMPLOYMENT MATTERS.

(a) DISCLOSURE; DELIVERY OF COPIES OF RELEVANT DOCUMENTS AND OTHER INFORMATION. SCHEDULE 5.12 contains a complete list of the TBC Plans which cover any employees or former employees of TBC or any TBC Subsidiary. True and complete copies of each of the following documents relating to TBC Plans which cover any employees or former employees of TBC or any TBC Subsidiary have been delivered by TBC to the Buyer: (i) each Welfare Plan, Pension Plan (and, if applicable, related trust agreements) and all amendments thereto, all written interpretations thereof and written descriptions thereof which have been distributed by TBC or any TBC Subsidiary to employees and all annuity contracts or other funding instruments, (ii) each Benefit Arrangement including written interpretations and written descriptions thereof which have been distributed by TBC or any TBC Subsidiary to employees (including descriptions of the number and level of current employees covered thereby) and a complete description of any such Benefit Arrangement which is not in writing, (iii) the most recent determination letter issued by the Internal Revenue Service for each Pension Plan, (iv) for the three most recent plan years, Annual Reports on Form 5500 Series required to be filed with any governmental agency for each Pension Plan or Welfare Plan, and (v) a description setting forth the amount of any liability of TBC or any TBC Subsidiary as of the Effective Time for payments more than thirty days past due with respect to each Welfare Plan, Pension Plan and Multiemployer Plan and (vi) the name and address of the Plan Administrator for each Multiemployer Plan.

(b) REPRESENTATIONS. Except as set forth in SCHEDULE 5.12:

(i) PENSION PLANS.

(A) No Pension Plan is subject to Title IV of ERISA or Section 412 of the Code. Each Pension Plan and each related trust agreement, has been determined by the Internal Revenue Service to be qualified and tax-exempt under the

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provisions of Code Sections 401(a) and 501(a) and, to the Knowledge of TBC, each Pension Plan has been so qualified during the period from its adoption to date.

(B) Each Pension Plan and each related trust agreement presently complies in all material respects and has been maintained in material compliance with its terms and, both as to form and in operation, with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such plans, including but not limited to ERISA and the Code.

(ii) MULTIEMPLOYER PLANS.

(A) Except as disclosed in SCHEDULE 5.12, TBC and its ERISA Affiliates have not, at any time, withdrawn from a Multiemployer Plan in what a Multiemployer Plan might claim to be a "complete withdrawal" or a "partial withdrawal" as defined in Sections 4203 and 4205 of ERISA, respectively, so as to result in a liability, contingent or otherwise (including, but not limited to, the obligations pursuant to an agreement entered into in accordance with Section 4204 of ERISA), to TBC or any ERISA Affiliate.

(B) All contributions required under the terms of the appropriate collective bargaining agreement or by the Plan to be made by TBC and each TBC Subsidiary to each Multiemployer Plan have been made when due.

(C) If, as of the Effective Time, TBC or any of its ERISA Affiliates was to withdraw from all Multiemployer Plans to which it (or any of them) has contributed or been obligated to contribute, it (and they) would incur no liabilities to such plans under Title IV of ERISA not otherwise reserved for on the Closing Balance Sheet in excess of \$100,000.

(D) To Knowledge of TBC, with respect to each Multiemployer Plan: (A) no such Multiemployer Plan has been terminated or has been in reorganization under ERISA so as to result, directly or indirectly, in any liability, contingent or otherwise, of TBC under Title IV of ERISA; (B) no proceeding has been initiated by any Person (including the PBGC) to terminate any Multiemployer Plan, and (C) TBC has no information which would lead it to believe that any Multiemployer Plan will be terminated or will be reorganized under ERISA.

(A) Each Welfare Plan which covers employees or former employees of TBC or any TBC Subsidiary has been maintained in material compliance with its terms and, both as to form and operation, with the requirements prescribed by those statutes, orders, rules and regulations which are applicable to such Welfare Plan, including but not limited to ERISA and the Code.

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(B) But for the grandfathered retiree medical and group life insurance plans identified in SCHEDULE 5.12, neither TBC nor any TBC Subsidiary nor any Welfare Plan has any present or future obligation to make any payment to or with respect to any present or former employee of TBC or any TBC Subsidiary pursuant to any retiree medical benefit plan, or other retiree Welfare Plan, and no condition exists which would prevent TBC or any TBC Subsidiary from amending or terminating any such benefit plan or Welfare Plan.

(C) Each Welfare Plan which covers or has covered employees or former employees of TBC or a Subsidiary and which is a "group health plan," as defined in Section 607(1) of ERISA, has been operated in material compliance with the provisions of Part 6 of Title I of ERISA and Sections 162(k) and 4980B of the Code at all times during the applicable statute of limitations period.

(iv) TBC and its ERISA Affiliates have not been assessed any liability with respect to any Multiemployer Plan that is a "welfare plan", as defined in Section 3(1) of ERISA, under the terms of such Multiemployer Plan, any collective bargaining agreement or otherwise resulting from any cessation of contribution, cessation of obligations to make contributions or other form of withdrawal from such Multiemployer Plan.

(v) If, as of the Effective Time, TBC or any of its ERISA Affiliates were to have a cessation of contributions, cessation of obligations to make contributions or other form of withdrawal from all Multiemployer Plans that are "welfare plans", as defined in Section 3(1) of ERISA, it (and they) would incur no liabilities not otherwise reserved for on the Closing Balance Sheet with respect to any such Multiemployer Plans under the terms of such Multiemployer Plans, any collective bargaining agreement or otherwise in excess of \$50,000.

(vi) UNRELATED BUSINESS TAXABLE INCOME. No TBC Plan (or trust or other funding vehicle pursuant thereto), other than a Multiemployer Plan, is subject to any tax under Code Section 511.

(vii) DEDUCTIBILITY OF PAYMENTS. There is no contract,

agreement, plan or arrangement covering any employee or former employee of TBC or any TBC Subsidiary that, individually or collectively, provides for the payment by TBC or any TBC Subsidiary of any amount (i) that is not deductible under Section 162(a)(1) or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code.

(viii) FIDUCIARY DUTIES AND PROHIBITED TRANSACTIONS. Neither TBC nor any TBC Subsidiary nor, to the Knowledge of TBC, any plan fiduciary of any Welfare Plan or Pension Plan which covers or has covered employees or former employees of TBC or any TBC Subsidiary, has engaged in any transaction in violation of Sections 404 or 406 of ERISA or any "prohibited transaction," as defined in Section 4975(c)(1) of the Code, for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the Code, or has otherwise violated the provisions of Part 4 of Title I, Subtitle B of

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ERISA. TBC and the TBC Subsidiaries have not knowingly participated in a violation of Part 4 of Title I, Subtitle B of ERISA by any plan fiduciary of any Welfare Plan or Pension Plan (or other employee benefit plan subject to ERISA) and have not been assessed any civil penalty under Section 502(l) of ERISA.

(ix) NO AMENDMENTS. TBC and the TBC Subsidiaries have no announced plan or legally binding commitment to create any additional TBC Plans which are intended to cover employees or former employees of TBC or any TBC Subsidiary (with respect to their relationship with such entities) or to amend or modify any existing TBC Plan which covers or has covered employees or former employees of TBC or any TBC Subsidiary (with respect to their employment relationship with such entities) in any material way.

(x) THIS SECTION INTENTIONALLY OMITTED.

(xi) NO OTHER MATERIAL LIABILITY. No event has occurred in connection with which TBC or any TBC Subsidiary or any TBC Plan, directly or indirectly, could be subject to any material liability (A) under any statute, regulation or governmental order relating to any TBC Plans or (B) pursuant to any obligation of TBC or any TBC Subsidiary to indemnify any Person against liability incurred under, any such statute, regulation or order as they relate to any TBC Plan.

(xii) NO ACCELERATION OR CREATION OF RIGHTS. Neither the execution and delivery of this Agreement nor the consummation of the Transactions will result in the acceleration or creation of any rights of any Person to benefits under any TBC Plan (including, without limitation, the acceleration of the vesting or exercisability of any stock options, the acceleration of the vesting of any restricted stock,

the acceleration of the accrual or vesting of any benefits under any Pension Plan or the acceleration or creation of any rights under any severance, parachute or change in control agreement).

(xiii) NO ERISA AFFILIATES. Except as set forth in SCHEDULE 5.12, neither TBC nor any of the TBC Subsidiaries is now or has ever been a member of a "controlled group of corporations" with or under "common control" with any other entity as defined in Section 414(b) or (c) of the Code.

5.13 LABOR AGREEMENTS AND ACTIONS. SCHEDULE 5.13 contains a list of all collective bargaining agreements to which TBC or any of the TBC Subsidiaries is a party or which relate to TBC or any of the TBC Subsidiaries. During the Ownership Period, neither TBC nor any of the TBC Subsidiaries has experienced any new attempt by organized labor or its Representatives to make such party conform to demands of organized labor relating to its employees or to enter into a binding agreement with organized labor that would cover the employees of such party. Except as listed in SCHEDULE 5.13, there is no labor strike or labor disturbance pending or, to the Knowledge of TBC, threatened against either TBC or any of the TBC Subsidiaries, there are no disputes or grievances subject to any grievance procedure, unfair labor practice proceedings, arbitration or litigation under such agreements, which have not been finally resolved, settled or

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otherwise disposed of and in the past five years neither TBC nor any of the TBC Subsidiaries has experienced a work stoppage or other labor difficulty, nor is there any default under any such agreements by TBC or any of the TBC Subsidiaries, or, to the Knowledge of TBC, any other party thereto. Except as set forth in SCHEDULE 5.13, TBC and each of the TBC Subsidiaries is in compliance with all applicable laws respecting employment practices, employment documentation, terms and conditions of employment and wages and hours, except where the failure to be in compliance, individually or in the aggregate, would not have a Material Adverse Effect and is not and has not engaged in any unfair labor practice. There is no unfair labor practice charge or complaint against either TBC or any of the TBC Subsidiaries pending before the National Labor Relations Board or any other domestic or foreign governmental agency and, to the Knowledge of TBC, there are no facts or information which would give rise thereto.

5.14 ABSENCE OF CERTAIN CHANGES. Except as set forth in SCHEDULE 5.14, since December 31, 1995, there has not been:

(a) any Material Adverse Change;

(b) (i) any declaration, setting aside or payment of any dividend or other distribution by TBC in respect of the TBC Common Stock, or (ii) any redemption, purchase or other acquisition of any shares of the capital stock

of TBC, or (iii) any bonus, fee or other payment to or on behalf of any TBC Stockholder, any Affiliate of TBC or any Affiliate of any TBC Stockholder (excluding payments to IMR, IMR General, Jacobs Management Corporation, Jacobs Investors, Inc. or to Irwin L. Jacobs for fees, expenses and debts owing of less than \$140,000 in the aggregate), including, but not limited to, any payment of principal of or interest on any debt owed to any TBC Stockholder or Affiliate, or (iv) any payment of a bonus, fee or other payment to any TBC Stockholder or Affiliate as an employee of TBC or any of the TBC Subsidiaries of less than \$160,000 in the aggregate;

(c) except events occurring in the ordinary course of business (which shall include normal hiring of personnel, periodic performance reviews and related compensation and benefit increases) (i) any increase in the rate or terms of compensation or bonus payable or to become payable or benefits due or to become due by TBC or any of the TBC Subsidiaries to their respective current and former directors, officers, employees or agents (collectively, "PERSONNEL"), (ii) adoption, creation or amendment of any TBC Plan by TBC or any of the TBC Subsidiaries, (iii) employment agreement (written or verbal) made by TBC to which TBC is a party, (iv) other change in employment terms for any of the officers, employees or agents of TBC or any of the TBC Subsidiaries;

(d) any issuance of or commitment to issue any shares of TBC Common Stock or other capital stock of TBC, other than pursuant to stock options outstanding as of December 31, 1995;

(e) any issuance of or commitment to issue any rights, options, warrants or other securities exercisable into capital stock of TBC;

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(f) any entry into any agreements or commitments of any character relating to the issued or unissued capital stock or other securities of TBC or any of the TBC Subsidiaries obligating TBC or any of the TBC Subsidiaries to issue any securities;

(g) any sale, lease, assignment or transfer of any of the Assets, other than to Persons that are not Affiliates of TBC, any of the TBC Subsidiaries or any TBC Stockholders not for fair consideration and in the ordinary course of business;

(h) any cancellation, compromise, waiver, forgiveness, termination or release of any rights or claims (or series of related rights or claims) or any obligation or Liability (i) involving an Affiliate of TBC or any of the TBC Subsidiaries, (ii) involving more than \$50,000, or (iii) outside the ordinary course of business;

(i) any amendment, modification, acceleration, cancellation, termination, or, to the Knowledge of TBC, any threatened cancellation or



termination of any Contract, license or other instrument (i) involving an Affiliate of TBC or any of the TBC Subsidiaries, (ii) involving payments by TBC or any of the TBC Subsidiaries in excess of \$50,000 under any single contract, license or other instrument, (iii) involving payments to TBC or any of the TBC Subsidiaries in excess of \$250,000 under any single contract, license or other instrument, or (iv) that is outside of the ordinary course of business;

(j) any capital expenditure or the execution of any Lease or Contract (or series of related Contracts or Leases) or any incurring of liability therefor (i) involving an Affiliate of TBC or any of the TBC Subsidiaries, (ii) involving payments in excess of \$100,000 in the aggregate, or (iii) outside the ordinary course of business;

(k) any delay or failure to repay when due any obligation in excess of \$50,000 of TBC or any of the TBC Subsidiaries;

(l) any failure to operate the Business in the ordinary course so as to use reasonable efforts to preserve the Business intact, to keep available to TBC and the TBC Subsidiaries the services of Personnel, and to preserve for TBC and the TBC Subsidiaries the goodwill of the suppliers, customers, agents, distributors and others having business relations with TBC and the TBC Subsidiaries (it being understood that TBC is in no way guaranteeing that such Personnel and goodwill will actually be maintained);

(m) any entry into any agreement, commitment or transaction by TBC or any of the TBC Subsidiaries which is material to TBC and the TBC Subsidiaries, taken as a whole, or the HVP Business taken as a whole, except agreements, commitments or transactions in the ordinary course of business;

(n) any change by TBC or any TBC Subsidiary in accounting methods, principles or practices except as disclosed to Buyer herein, or on a Disclosure Schedule or Supplement hereto;

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(o) any revaluation by TBC or any TBC Subsidiary of any of the Assets or Liabilities, including without limitation, writing off notes or accounts receivable other than in the ordinary course of business;

(p) any material mortgage, pledge or other encumbrance of any of the Assets, other than in the ordinary course of business;

(q) any indebtedness incurred by TBC or any TBC Subsidiary for borrowed money or any commitment to borrow money entered into by TBC or any TBC Subsidiary, or any loans or guarantees made or agreed to be made by TBC or any TBC Subsidiary other than to non-Affiliates in the ordinary course of business;

(r) any incurrence of Liabilities involving \$50,000 or more or



otherwise material to the Business, except for Liabilities arising in the ordinary course of business, or any increase or change in any assumptions underlying or methods of calculating any bad debt, contingency or other reserves;

(s) any payment, discharge or satisfaction of any Liabilities, other than such payment, discharge or satisfaction in the ordinary course of business;

(t) any capital investment in, loan to, or acquisition of the securities or assets of any other Person (i) involving an Affiliate of TBC or any of the TBC Subsidiaries, (ii) involving more than \$50,000 in the aggregate, or (iii) outside the ordinary course of business;

(u) any grant of any license or sublicense of any rights under or with respect to any Intellectual Property of TBC or any of the TBC Subsidiaries except in the ordinary course of business;

(v) any loan to, or other agreement with any Personnel outside the ordinary course of business giving rise to any claim or right on its part against the Person or on the part of the Person against it;

(w) any charitable or other capital contribution, individually or in the aggregate in excess of \$10,000, made or pledged by TBC or any TBC Subsidiary;

(x) any payment by TBC or any TBC Subsidiary of any Sellers' Transactional Expenses;

(y) any written or, to the Knowledge of TBC, oral agreement by TBC or any TBC Subsidiary or any of their respective Personnel to do any of the foregoing; or

(z) to the Knowledge of TBC, any other event or condition of any character that individually or in the aggregate has a Material Adverse Effect.

5.15 BOOKS AND RECORDS. With respect to and during the Ownership Period: (a) each of TBC and each of the TBC Subsidiaries has made and kept Books and Records and accounts, which, in reasonable detail, fairly reflect the activities of such party, (b) the minute books of TBC and each of the TBC Subsidiaries, as previously made available to the Buyer and its Representatives, contain materially accurate and adequate records of all meetings of, and corporate actions taken by (including action taken by written consent), the respective stockholders and Board of Directors of TBC and each of the TBC Subsidiaries, (c) the copies of the stock book records of TBC and each of the TBC Subsidiaries heretofore delivered to the Buyer properly reflect all material transactions effected in the stock of TBC and each of the TBC Subsidiaries during the Ownership Period, and (d) neither TBC nor any of the TBC Subsidiaries

has engaged in any transaction, maintained any bank account or used any corporate funds except for transactions, bank accounts and funds which have been and are reflected in the normally maintained Books and Records thereof. At Closing, the Books and Records of TBC and the TBC Subsidiaries will be in the possession of TBC, except for those records and reports prepared and retained by Representatives of IMR and its Affiliates.

5.16 PERSONAL PROPERTY AND ENCUMBRANCES; ASSETS. SCHEDULE 5.16 identifies all owned items of personal property and all capitalized leases for items of personal property of TBC or any of the TBC Subsidiaries which individually have a book value in excess of \$50,000. Except as set forth in SCHEDULE 5.16, and except for personal property which has been sold or otherwise disposed of in the ordinary course of business, TBC or a TBC Subsidiary owns free and clear from any Encumbrances (except for (i) Encumbrances reflected in the Financial Statements, (ii) Encumbrances for current taxes, assessments or governmental charges or levies on property not yet due and delinquent which, in the aggregate, are not substantial in amount, do not materially detract from the value of the assets subject thereto or interfere with the present use and have not arisen other than in the ordinary course of business, (iii) Encumbrances arising by operation of law which, in the aggregate, are not substantial in amount, do not materially detract from the value of the assets subject thereto or interfere with the present use and have not arisen other than in the ordinary course of business and (iv) Encumbrances described on the Disclosure Schedule (collectively, Encumbrances of the type described in clauses (i), (ii), (iii) and (iv) above are hereinafter sometimes referred to as "PERMITTED ENCUMBRANCES")) or as set forth on SCHEDULE 5.16, leases or has the right to use, the personal property set forth on SCHEDULE 5.16. To the Knowledge of TBC, the personal property listed on SCHEDULE 5.16 has been maintained in accordance with normal industry practice, is in reasonable operating condition and repair (except for normal replacement practices and ordinary wear and tear) and is sufficient for the operation of the Business as currently conducted.

#### 5.17 INTELLECTUAL PROPERTY.

(a) POSSESSION OF INTELLECTUAL PROPERTY. TBC and each of the TBC Subsidiaries possess all Intellectual Property necessary for the ownership of its properties and the conduct of the Business as presently conducted. All Intellectual Property of TBC and each of the TBC Subsidiaries is set forth in SCHEDULE 5.17. All of the rights of TBC and the TBC Subsidiaries in the Intellectual Property are valid and enforceable rights of TBC or the applicable TBC Subsidiary and will not cease to be valid and in full force and effect by reason of the execution, delivery and

performance of this Agreement, the other Transaction Documents or the consummation of the Transactions, except where the failure of such rights to be valid and enforceable would not have a Material Adverse Effect. TBC and

each of the TBC Subsidiaries own or possess adequate and enforceable licenses or otherwise have the right to use all of the Intellectual Property, except where the failure to possess such licenses or have such right to use would not have a Material Adverse Effect.

(b) NO PROCEEDINGS. Neither TBC nor any of the TBC Subsidiaries has received any notice of any event, inquiry, investigation or proceeding threatening the validity of any such Intellectual Property. TBC and the TBC Subsidiaries have taken all reasonable and prudent steps to protect the Intellectual Property listed on SCHEDULE 5.17 from infringement by any other Person. No other Person (i) has, to the Knowledge of TBC, the right to use any of the Trademarks or other such Intellectual Property on the goods and services on which they are now being used either in identical form or in such near resemblance thereto as to be likely, when applied to the goods of any such Person, to cause confusion with such Trademarks or other Intellectual Property or to cause a mistake or to deceive, (ii) has notified TBC or any of the TBC Subsidiaries that it is claiming any ownership of or right to use such Intellectual Property, or (iii) to the Knowledge of TBC, is infringing upon any Intellectual Property in any way. The use of the Intellectual Property by TBC and the TBC Subsidiaries does not conflict with, infringe upon or otherwise violate the rights of any third party in or to such Intellectual Property, and no Action has been instituted against or notices received by TBC or any of the TBC Subsidiaries that are presently outstanding alleging that the use by TBC or any TBC Subsidiary of the Intellectual Property infringes upon or otherwise violates any rights of a third party in or to such Intellectual Property.

(c) PROPRIETARY RIGHTS. SCHEDULE 5.17 sets forth: (i) for each Patent, the number, normal expiration date and subject matter for each country in which such Patent has been issued, or, if applicable, the application number, date of filing and subject matter for each country, (ii) for each Trademark, the application serial number or registration number, the class of goods covered and the expiration date for each country in which a Trademark has been registered, (iii) for each Copyright, the number and date of filing for each country in which a Copyright has been filed, and (iv) for each service mark, the service mark serial number or the service mark registration number, the service mark class of goods covered and the service mark expiration date for each country in which a service mark has been registered. True and correct copies of all Patents (including and all pending applications) owned, controlled, created or used by or on behalf of TBC or any of the TBC Subsidiaries or in which TBC or any of the TBC Subsidiaries has any interest have been provided to the Buyer. Except for applications pending, all of the Patents, registered designs and Trademarks listed on SCHEDULE 5.17 have been duly issued and, except as set forth on SCHEDULE 5.17, all of the other Intellectual Property exist, is registered and is subsisting. All of the pending Patent applications have been duly filed.

#### 5.18 FACILITIES AND LEASES.

(a) NO DEFAULT. SCHEDULE 5.18 contains a description of all Owned Real Property of TBC and each of the TBC Subsidiaries and contains copies of any preliminary or

other title reports, if any, covering all of the Owned Real Property. SCHEDULE 5.18 contains (i) a description of all Leases or sub-leases to which TBC or any of the TBC Subsidiaries is a party requiring an annual aggregate payment of at least \$50,000 (the "MATERIAL LEASES"), and (ii) specifically, and by way of limitation, a general description of the leased property or items, the specific leasing party, the term, the applicable rent, any and all renewal options, and any requirements for the consent of third parties with respect to any provisions thereto. Except as otherwise set forth in SCHEDULE 5.18, each Material Lease is valid, binding and enforceable in accordance with its terms and is in full force and effect; all rents and additional rents due to date to or from TBC or any of the TBC Subsidiaries on each such Material Lease have been paid; neither TBC nor any of the TBC Subsidiaries have received any notice of cancellation or termination under any option or right reserved to the lessor; neither TBC nor any of the TBC Subsidiaries have received notice that it is in material Default under any such Material Lease; and to TBC's Knowledge there exists no event, occurrence, condition or act (including the consummation of the Transactions) which, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a material Default by either TBC or any of the TBC Subsidiaries under such Material Lease or, to the Knowledge of TBC, by any other party. TBC shall use best reasonable commercial efforts to obtain the consent of third parties in accordance with Section 7.1 hereof, where such consent is necessary to the consummation of the Transactions as they affect a specific Material Lease (except where the failure to obtain such consent would not have a Material Adverse Effect).

(b) OWNED REAL PROPERTY. Except as set forth in SCHEDULE 5.18, TBC and each of the TBC Subsidiaries have good and marketable fee simple title to all of their Owned Real Property, free and clear of all Encumbrances, except for minor liens which in the aggregate are not substantial in amount, do not materially detract from the value or transferability of the property or assets subject thereto or interfere with the present use and have not arisen other than in the ordinary course of business. TBC and each of the TBC Subsidiaries enjoys peaceful and undisturbed possession of all their respective Owned Real Property.

(c) ACTIONS. Except as set forth in SCHEDULE 5.18, there are no pending or, to the Knowledge of TBC, threatened condemnation proceedings, administrative proceeding, or other Actions relating to any Leases or other Facility.

(d) LEASES OR OTHER AGREEMENTS. Except as listed on SCHEDULE 5.18, there are no leases, subleases, licenses, occupancy agreements, options, rights, concessions or other agreements or arrangements, written or oral, granting to any Person the right to purchase, use or occupy any Facility of TBC or any TBC Subsidiary, or any real property.

(e) FACILITY LEASES AND LEASED REAL PROPERTY. Except as set forth in SCHEDULE 5.18 or as contemplated by this Agreement and the Transactions, with respect to each Facility Lease, TBC or the applicable TBC Subsidiary has an unencumbered interest in the Leasehold Estate. TBC or the applicable TBC Subsidiary enjoys peaceful and undisturbed possession of all the Leased Real Property, subject to the rights of the fee owners, and TBC and each of the TBC Subsidiaries has in all material respects performed all the obligations required to be performed by it through the date hereof.

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(f) CERTIFICATE OF OCCUPANCY. All Facilities have received all required material approvals of governmental authorities (including without limitation Permits and a certificate of occupancy or other similar certificate permitting lawful occupancy of the Facilities) required in connection with the operation thereof and have been operated and maintained in all material respects in accordance with applicable Regulations, except where the failure to obtain any such approvals or the failure to comply with any such Regulations would not have a Material Adverse Effect.

(g) UTILITIES. To the Knowledge of TBC, all Facilities are supplied with utilities (including without limitation water, sewage, disposal, electricity, gas and telephone) and other services necessary for the operation of such Facilities as currently operated, and there is no condition which, to the Knowledge of TBC, would reasonably be expected to result in the termination of the present access from any Facility to such utility services.

(h) IMPROVEMENTS, FIXTURES AND EQUIPMENT. To the Knowledge of TBC, the improvements constructed on the Facilities, including without limitation all Leasehold Improvements, and all Fixtures and Equipment and other tangible assets owned, leased or used by TBC and each of the TBC Subsidiaries at the Facilities are (i) structurally sound with no material defects, (ii) in good operating condition and repair, subject to ordinary wear and tear, (iii) not in need of maintenance, repair or correction except for ordinary routine maintenance and repair, the cost of which would not be material, (iv) sufficient for the operation of the Business as presently conducted, and (v) in conformity, in all material respects, with all applicable Regulations, except where the failure to conform with any such Regulation would not have a Material Adverse Effect. None of the improvements is subject to any commitment or other arrangement for their sale or use by any Affiliate of TBC or any TBC Subsidiary or any third parties.

(i) SUBLEASES. Except as set forth on SCHEDULE 5.18, there are no subleases, licenses, options, rights, concessions or other agreements or arrangements, written or, to the Knowledge of TBC, oral, granting to any Person the right to use or occupy the property or any portion thereof or interest therein, to which a Material Lease pertains.

(j) NO SPECIAL ASSESSMENT. None of IMR nor TBC nor any TBC Subsidiary has received notice of any special assessment relating to any Facility or any portion thereof and, to the Knowledge of TBC, there is no pending or threatened special assessment.

#### 5.19 MATERIAL CONTRACTS.

(a) CONTRACTS. Except for Contracts listed on SCHEDULE 5.19 and except for: (A) Contracts made in the ordinary course of business, (B) Driver Contracts, (C) customer and agent agreements not subject to disclosure pursuant to Section 5.30, and (D) other Contracts expressly referenced in the Disclosure Schedule in response to other disclosure requirements (including without limitation Employment Matters under Section 5.12, Labor Agreements under Section 5.13, Personal Property under Section 5.16, Leases under Section 5.18, Insurance under Section 5.20 and the Material Customer and Material Agent Agreements under Section 5.30)),

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neither TBC nor any TBC Subsidiary is a party to, or bound by, any Contract of any kind to be performed after the Effective Time (i) pursuant to which TBC or any TBC Subsidiary is obligated to expend more than \$50,000 in any twelve-month period and that is not subject to cancellation on not more than 30 days' notice by TBC or a TBC Subsidiary without penalty or increased cost, or (ii) with any Personnel or other Affiliates of TBC or any Subsidiary (collectively (i) and (ii) above are "MATERIAL CONTRACTS" and individually each is referred to as a "MATERIAL CONTRACT"). Except as set forth in SCHEDULE 5.19, neither TBC nor any of the TBC Subsidiaries is bound by any other material Contract, agreement or other arrangement (and any amendment, modification or supplement in respect thereof), including, without limitation:

(i) any Contract, guarantee, other contingent liability, warranty, guaranty or similar undertaking not in the ordinary course of business;

(ii) any written arrangement (or group of related written arrangements), Contracts, commitments or other agreements for the purchase or sale of supplies, trailers, on-board equipment (including, without limitation, pads, beams and straps) or other equipment, materials or property or for the furnishing or receipt of services, including, without limitation, any customer or vendor contracts, or relating to capital expenditures (including, without limitation, BECOM 2000) pursuant to which TBC or any TBC Subsidiary is required to provide expenditures in excess of \$50,000;

(iii) license, commission, consulting, agency or advertising contracts or arrangements related to the Assets or the Business providing for payments by TBC or any TBC Subsidiary in excess of \$50,000 in any twelve-month period;



(iv) any agreement, indenture or other instrument which contains restrictions with respect to payment of dividends or any other distribution in respect of its capital stock;

(v) any agreement, indenture, promissory note, loan, evidence of indebtedness, letter of credit, guarantee or other instrument relating to indebtedness, liability for borrowed money or the deferred purchase price of property (excluding trade payables in the ordinary course of business), whether TBC or any TBC Subsidiary shall be the borrower, lender or guarantor thereunder or whereby any Assets are pledged;

(vi) any loan or advance to, or investment in, any Person or any agreement, contract or commitment relating to the making of any such loan, advance or investment or any agreement, contract or commitment involving a sharing of profits, any of which, individually or in the aggregate, is or involves in excess of \$25,000;

(vii) any management service, consulting (other than employment related consulting arrangements) or any other similar type of contract;

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(viii) any agreement, contract or commitment limiting the ability of TBC or any of the TBC Subsidiaries to engage in any line of business or to compete with any Person;

(ix) any written arrangement (or group of related written arrangements) concerning a partnership or joint venture with any other Person;

(x) any oral contract, agreement or other arrangement with respect to any of the matters referred to in the foregoing clauses (i) through (ix) and any written proposal to enter into any contract, agreement or other arrangement with respect to any of the matters referred to in the foregoing clauses (i) through (ix).

TBC has made available to the Buyer true, correct and complete copies of all of the Material Contracts listed on SCHEDULE 5.19, including all amendments and supplements thereto and has included as part of SCHEDULE 5.19 a brief summary of any such oral contracts, agreements or other arrangements and any written proposals to enter into any such contracts, agreements or other arrangements.

(b) ABSENCE OF BREACHES AND DEFAULTS. Except as otherwise set forth in SCHEDULE 5.19, each Contract or agreement set forth thereon is in full force and effect and there exists no Default or event of default or, to the Knowledge of TBC, event, occurrence, condition or act (including the consummation of the Transactions) which, with the giving of notice, the lapse

of time or the happening of any other event or condition, would become a Default or event of default thereunder, which Default would result, with reasonable certainty, in a Material Adverse Effect. All of the Contracts set forth on SCHEDULE 5.19 are valid, binding and enforceable in accordance with their terms (except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditor's rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law). All of the other Contracts and agreements to which TBC or any of the TBC Subsidiaries is a party or by which it is bound or are valid, binding and enforceable in accordance with their terms (except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditor's rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law), except where the failure of any Contracts or Leases to be binding, valid and enforceable would not, either individually or in the aggregate, have a Material Adverse Effect. TBC and each of the TBC Subsidiaries have fulfilled, or taken all action necessary to enable it to fulfill when due, all of its obligations under each Contract and agreement by which it is bound, except where the failure to fulfill or take such action with respect to any Contracts or Leases, either individually or in the aggregate, would not have a Material Adverse Effect. TBC and each of the TBC Subsidiaries have and, to the Knowledge of TBC, all other parties to such Contracts and agreements have, complied in all material respects with the provisions thereof and no notice of any claim of Default has been given to TBC or any of the TBC Subsidiaries. Except as set forth on SCHEDULE 5.19, assuming the representations and warranties of the Buyer in Sections 6.2 and 6.3 are true in all material respects, none of the rights of TBC or any of the TBC Subsidiaries in

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the Material Contracts will cease to be enforceable by TBC or such TBC Subsidiary as a result of the consummation of the Transactions.

(c) SERVICE WARRANTY. Except as set forth in SCHEDULE 5.19, to TBC's Knowledge, neither TBC nor any of the TBC Subsidiaries has committed any act, and there has been no omission, which may result in, and there has been no occurrence which may give rise to, Liability for breach of warranty (whether covered by insurance or not) on the part of TBC or any of the TBC Subsidiaries, with respect to services rendered prior to the Effective Time which would have a Material Adverse Effect.

5.20 INSURANCE. TBC has delivered to Buyer copies of all current policies (including indemnity agreements disclosed in Section 5.19 hereof) of property, fire and casualty, product liability, workers compensation and other forms of insurance owned or held by TBC or any of the TBC Subsidiaries on the Business, the Assets, or their respective employees. All insurance coverage applicable to each of TBC, the TBC Subsidiaries, the Business and



the Assets is in full force and effect and, to the Knowledge of TBC, provides coverage as may be required by applicable Regulation and by any and all Material Contracts to which TBC and any of the TBC Subsidiaries is a party. There is no default under any such coverage nor, to the Knowledge of TBC, has there been any failure to give notice or present any claim under any such coverage in a due and timely fashion at any time during the Ownership Period. There are no outstanding unpaid premiums, except in the ordinary course of business, and no notice of cancellation or non-renewal of any such coverage has been received. Neither TBC nor any of the TBC Subsidiaries have received notice of any retrospective premium adjustments which have not been paid or for which adequate reserves have not been established. During the Ownership Period, all auto liability, product liability, general liability and workers' compensation insurance policies maintained by TBC or any of the TBC Subsidiaries have been occurrence policies and not claims made policies. Except as set forth in SCHEDULE 5.20 there are no outstanding performance bonds covering or issued for the benefit of TBC or any of the TBC Subsidiaries. Except as set forth in SCHEDULE 5.20, neither TBC nor any of the TBC Subsidiaries have received (i) any notice of cancellation of any Insurance Policy, refusal of coverage, increase of premiums or failure to renew thereunder, (ii) any notice that any issuer of such policy has filed for protection under applicable bankruptcy laws or is otherwise in the process of liquidating or has been liquidated, or (iii) any other indication that such policies are no longer in full force or effect or that the issuer of any such policy is no longer willing or able to perform its obligations thereunder. To TBC's Knowledge, all policies and binders are in full force and effect on the date hereof and shall be kept in full force and effect through the Effective Time.

5.21 INTERESTS IN CUSTOMERS, SUPPLIERS, ETC. Except as set forth in SCHEDULE 5.21, none of TBC nor any TBC Subsidiary nor IMR nor any officer, director or, to the Knowledge of TBC, employee of TBC or any of the TBC Subsidiaries or any Affiliates of any of the foregoing (nor any member of any such Person's immediate family) (i) possesses, directly or indirectly, any material ownership interest in, or is a director, officer or employee of, any Person which is a supplier, agent, customer, lessor, lessee, licensor, developer, competitor or potential competitor of TBC or any of the TBC Subsidiaries or (ii) is presently a party to any material transaction with TBC or any of the TBC Subsidiaries, including without limitation, any contract, agreement or

other arrangement otherwise requiring payments to (other than for services as officers, directors or employees of TBC or any of the TBC Subsidiaries) any such Person or corporation, partnership, trust or other entity in which any such Person has an interest as a stockholder, officer, director, trustee or partner. Notwithstanding the foregoing, the foregoing shall not apply to any interest or holdings in a publicly registered or traded Person, investment in

stock by a pension, profit sharing or similar plan or the employment by a Person in a non-key position of any spouse of a director, officer, or employee.

5.22 ENVIRONMENTAL MATTERS. The representations and warranties made in this Section 5.22: (i) are limited to the Knowledge of TBC, (ii) apply only to the Company Property, and (iii) are limited in scope such that if the condition described does exist, it, along with all such other conditions described, will not, individually or in the aggregate, have a Material Adverse Effect. Subject to the foregoing, and, except as set forth on SCHEDULE 5.22:

(a) HAZARDOUS MATERIALS. Hazardous Materials are not being handled, transported, generated, used, treated or stored on or released or disposed on or about any Company Property.

(b) FACILITIES. TBC and each of the TBC Subsidiaries and the Company Property are in compliance with Environmental Laws and the requirements of Permits issued under such Environmental Laws with respect to any Company Property.

(c) PENDING ACTIONS. There have not been and are no pending or, to the Knowledge of TBC, threatened Environmental Claims against TBC or any of the TBC Subsidiaries or any Company Property.

(d) PERMITS. TBC and each of the TBC Subsidiaries have all Permits required under any Environmental Law and each Company Property is in compliance with all such Permits.

(e) PERMITS REQUIRED. The consummation of the Transactions will not require an application for issuance, renewal, transfer or extension of, or any other administrative action regarding, any Permit required under any Environmental Law.

(f) ENVIRONMENTAL CONDITIONS. There are no present Environmental Conditions in any way relating to the Business of TBC or any of the TBC Subsidiaries, including the Company Property.

(g) CERCLA OR RCRA. No current use, generation, treatment, transportation, storage, disposal or handling practice of TBC or any of the TBC Subsidiaries with respect to any Hazardous Material has or will result in any liability under CERCLA or RCRA (as in effect as of the date hereof and on the Effective Date) or any state or local law of similar effect.

(h) STORAGE TANK OR PIPELINE. There is no underground or above-ground storage tank or pipeline at any Company Property where the installation, use, maintenance, repair, testing, closure or removal of such tank or pipeline is not in compliance with all Environmental Laws and

there has been no Release from or rupture of any such tank or pipeline, including without limitation any Release from or in connection with the filling or emptying of such tank.

(i) ENVIRONMENTAL AUDITS OR ASSESSMENTS. True, complete and correct copies of the written reports, and all parts thereof, including any drafts of such reports if such drafts are in the possession or control of TBC or any of the TBC Subsidiaries, of all environmental audits or assessments which have been conducted at any Company Property within the past five years, either by TBC or any of the TBC Subsidiaries or any attorney, environmental consultant or engineer engaged for such purpose, have been delivered to the Buyer and a list of all such reports, audits and assessments and any other similar report, audit or assessment of which TBC or any of the TBC Subsidiaries have knowledge is included on SCHEDULE 5.22.

(j) INDEMNIFICATION AGREEMENTS. Neither TBC nor any of the TBC Subsidiaries are, singularly or collectively, a party, whether as a direct signatory or as successor, assign or third party beneficiary, or otherwise bound, to any lease or other contract under which TBC or any of the TBC Subsidiaries are obligated by or entitled to the benefits of, directly or indirectly, any representation, warranty, indemnification, covenant, restriction or other undertaking concerning Environmental Conditions.

(k) RELEASES OR WAIVERS. During the Ownership Period, neither TBC nor any of the TBC Subsidiaries have released any other Person from any claim under any Environmental Law or waived any rights concerning any Environmental Condition.

(l) NOTICES, WARNINGS AND RECORDS. During the Ownership Period, TBC and each of the TBC Subsidiaries have given all notices and warnings, made all reports, and have kept and maintained all records required by and in compliance with all Environmental Laws.

5.23 COMPLIANCE WITH LAW. Except as otherwise disclosed on SCHEDULE 5.23, neither TBC nor any of the TBC Subsidiaries nor the conduct of the Business has violated or has failed or is failing to be in compliance with all Regulations and Court Orders relating to the Assets or the Business or operations of TBC or any of the TBC Subsidiaries, except where the violations or failure to comply, individually or in the aggregate, would not have a Material Adverse Effect. Each of TBC and the TBC Subsidiaries, in the conduct of the Business, is in conformity with all energy, public utility, zoning, building and health codes, regulations and ordinances, OSHA and Environmental Laws and all other foreign, federal, state, and local governmental and regulatory requirements applicable to the conduct of the Business, except where the failure to be in conformity, either individually or in the aggregate, would not have a Material Adverse Effect. To the Knowledge of TBC, neither TBC nor any of the TBC Subsidiaries nor IMR has received any notice to the effect that, or otherwise been advised that, such party is not in compliance with any such Regulations or Court Orders.

5.24 NO OTHER AGREEMENTS TO SELL ASSETS OR CAPITAL STOCK OF TBC OR THE TBC

SUBSIDIARIES. SCHEDULE 5.24 sets forth all of the non-core locations of BMS (the "NON-CORE ASSETS"). Except for sales of Non-Core Assets, none of TBC, any of the TBC Subsidiaries, any of the TBC Stockholders or any of their respective officers, directors, stockholders or Affiliates

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has any commitment or legal obligation, absolute or contingent, to any other Person or firm, other than as contemplated by this Agreement, to sell, assign, transfer or effect a sale of all or a material portion of the Assets, to sell or effect a sale of any of the capital stock of TBC or any of the TBC Subsidiaries, to effect any merger, consolidation, liquidation, dissolution or other reorganization of TBC or any of the TBC Subsidiaries, or to enter into any agreement or cause the entering into of an agreement with respect to any of the foregoing.

5.25 ACCOUNTS RECEIVABLE. The accounts receivable reflected on the Year End Balance Sheets, and all accounts receivable arising since the Year End Balance Sheet Date, represent bona fide claims of TBC and the TBC Subsidiaries against debtors for sales, services performed or other charges arising on or before the date hereof, and, to the Knowledge of TBC, all the goods delivered and services performed which gave rise to said accounts were delivered or performed in accordance with the applicable orders, Contracts or customer requirements.

5.26 PURCHASE COMMITMENTS AND OUTSTANDING BIDS. Except as set forth in SCHEDULE 5.26, there is no outstanding bid, proposal, Contract or unfilled order made by TBC or any of the TBC Subsidiaries, or, to the Knowledge of TBC, made by BMS which relates to the Business which will or would, if accepted, have a Material Adverse Effect.

5.27 PAYMENTS. TBC and the TBC Subsidiaries have not (i) directly or indirectly, paid or delivered any fee, commission or other sum of money or item or property, however characterized, to any finder, agent, client, customer, supplier, government official or other party, in the United States or any other country, which is in any manner related to the Business, Assets or operations of TBC or any of the TBC Subsidiaries, which is, or may be with the passage of time (excluding changes in law) or discovery, illegal under any present federal, state or local laws of the United States (including without limitation the U.S. Foreign Corrupt Practices Act) or any other country having jurisdiction, (ii) participated, directly or indirectly, in any boycotts or other similar practices affecting any of its actual or potential customers, or (iii) established or maintained any unrecorded fund or asset for any purpose or made any false entries on the Books and Records of TBC or any of the TBC Subsidiaries for any reason.

5.28 BANK ACCOUNTS, POWERS OF ATTORNEY. Set forth in SCHEDULE 5.28 is an accurate and complete list showing (i) the name and address of each bank in which TBC or any of the TBC Subsidiaries has any account, safe deposit box,

borrowing arrangement or certificate of deposit, the number of any such account or any such box and the names of all Persons authorized to draw thereon or to have access thereto and (ii) the names of all Persons, if any, holding powers of attorney from TBC.

5.29 COMPENSATION OF EMPLOYEES. Set forth in SCHEDULE 5.29 is an accurate and complete list as of December 31, 1995 showing the names of all Persons employed by TBC or any of the TBC Subsidiaries who are expected to receive more than \$90,000 annualized cash compensation in the calendar year 1996 from TBC or any of the TBC Subsidiaries (including, without limitation, salary, commission and bonus) and who are expected to be employed by TBC or any of TBC Subsidiaries on the Effective Date.

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5.30 CUSTOMER AND AGENT RELATIONS. SCHEDULE 5.30 sets forth a complete and accurate list as of December 31, 1995 of (a) the names and addresses of the fifteen largest (i) Household Goods Business customers and (ii) HVP Business customers (collectively, clauses (i) and (ii) above, the "MATERIAL CUSTOMERS"), showing as to each such Material Customer the approximate total sales in dollars during calendar year 1995 and (b) the names of the fifteen largest (i) Household Goods Business agents and (ii) HVP Business agents (collectively, clauses (i) and (ii) above, the "MATERIAL AGENTS"), showing as to each such Material Agent the approximate total revenue received in dollars by TBC or the applicable TBC Subsidiary during calendar year 1995. Except as otherwise set forth in SCHEDULE 5.30, each Contract or agreement between TBC or any of the TBC Subsidiaries and the Material Customers and Material Agents is in full force and effect and there exists no Default or event of default or, to the Knowledge of TBC, event, occurrence, condition or act (including the consummation of the Transactions) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a Default or event of default thereunder, which Default would, with reasonable certainty, have a Material Adverse Effect. All of the Contracts between TBC or any of the TBC Subsidiaries and the Material Customers and Material Agents are valid, binding and enforceable in accordance with their terms (except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditor's rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law). Except as set forth in SCHEDULE 5.30, to the Knowledge of TBC there has not been any change in relations with customers or agents of TBC or any TBC Subsidiary as a result of the Transactions which has resulted in a Material Adverse Change. To TBC's Knowledge, neither TBC nor any of the TBC Subsidiaries has received any communication from any Material Customer or Material Agent named on SCHEDULE 5.30 of any intention to terminate or materially reduce the business done with TBC or any of the TBC Subsidiaries. Except as set forth on SCHEDULE 5.30, neither TBC nor any of the TBC Subsidiaries has received any notice (oral or written) that any relationship between TBC or any of the TBC Subsidiaries and any agent of any such party is not a bona-fide independent contractor

relationship under applicable law. TBC has provided to, and Buyer acknowledges receipt of, a complete listing of all Household Goods Business agents and HVP Business agents prior to the execution of this Agreement.

5.31 INFORMATION PROVIDED. TBC and IMR represent and warrant that the Agreement and Disclosure Schedule and all exhibits hereof and certificates delivered pursuant hereto do not and will not contain any untrue statement of a material fact or omit to state any material fact required to be provided or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Between the date hereof and the Effective Time, TBC and IMR agrees promptly to correct any information provided by it to the extent that it shall have become false or misleading in any material respect and to supplement such information for use by the Buyer in order to make the information given to the Buyer, in light of the circumstances under which they were made, not misleading.

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## ARTICLE VI.

### REPRESENTATIONS AND WARRANTIES OF THE BUYER AND THE TRANSITORY SUBSIDIARY

The Transitory Subsidiary and the Buyer jointly and severally hereby represent and warrant to TBC, IMR and IMR General that the following representations and warranties are, as of the date hereof, and will be, as of the Effective Date, true and correct:

6.1 ORGANIZATION. Each of the Buyer and the Transitory Subsidiary is (a) a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and (b) is duly qualified to conduct business, properly licensed and in good standing under the laws of each jurisdiction where such qualification and licensing is required, except where the failure to be so qualified, licensed or in good standing would not have a Material Adverse Effect.

6.2 AUTHORIZATION. Each of the Buyer and the Transitory Subsidiary has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder and consummate the Transactions. This Agreement and the other Transaction Documents to which the Buyer and the Transitory Subsidiary is a party constitute the valid and legally binding obligations of the Buyer and the Transitory Subsidiary, enforceable against the Buyer and the Transitory Subsidiary in accordance with their respective terms and conditions and, assuming due execution of this Agreement by TBC and IMR and of such other Transaction Documents by the other parties thereto, are enforceable in accordance with their respective terms and conditions, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws



affecting the enforcement of creditors' rights generally and by general equitable principles, regardless of whether asserted in a proceeding in equity or at law.

6.3 NONCONTRAVENTION. None of the execution, delivery or performance of this Agreement and the other Transaction Documents, nor the consummation of the Transactions, will (i) violate or conflict with any provision of the Certificate of Incorporation or Bylaws of either the Buyer or the Transitory Subsidiary, (ii) violate any Regulation (excluding notice requirements and approvals of "change of control") or Court Order to which either the Buyer or the Transitory Subsidiary is subject, (iii) violate, conflict with, result in a breach of, constitute a default under, result in the acceleration or termination of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, Permit, indebtedness, note, bond, indenture, security or pledge agreement, commitment, franchise, instrument or other arrangement to which the Buyer or the Transitory Subsidiary is a party or by which it is bound or to which any of its assets is subject, except in the cases of each of clauses (ii) and (iii) above, where the violation, conflict, breach, default, acceleration, termination, modification, cancellation or failure to give notice would not, either individually or in the aggregate, have a Material Adverse Effect. Other than in connection with the provisions of the HSR Act, the Delaware Law, the Interstate Commerce Commission (or other similar federal transportation authority, as applicable) and any state authorities regulating the provision of

transportation services, neither the Buyer nor the Transitory Subsidiary must give any notice to, make any declaration, filing or registration with, or obtain any Permit from any government or governmental agency in connection with the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the Transactions, except where the failure to give notice, to file, or to obtain any Permit would not have a Material Adverse Effect.

6.4 BROKERS' FEES. Except for fees payable to William E. Simon & Sons, L.L.C., and William E. Myers & Co., neither the Buyer nor the Transitory Subsidiary has any liability or obligation to pay any fees or commissions to any broker or finder with respect to the Transactions. None of TBC, IMR or IMR General will have any liability or other obligation with respect to any fees or costs of either the Buyer or the Transitory Subsidiary in respect of this Agreement or the Transactions.

6.5 LITIGATION. There are no Actions in progress, pending or in effect against or relating to Buyer or the Transitory Subsidiary arising from or in connection with the Transactions and neither Buyer nor the Transitory Subsidiary has knowledge of or has any reason to be aware of any basis for the same.

6.6 CAPITALIZATION OF BUYER AND TBC AND FRAUDULENT CONVEYANCE. On the Closing Date, after giving effect to the Closing and the Transactions contemplated hereby to occur on the Closing Date, Buyer and TBC will have the long-term debt and equity capitalization within the range set forth on Schedule 6.6. Buyer and the Transitory Subsidiary represent and warrant that the Transactions will not be construed as a fraudulent conveyance or transfer which may or could result in any liability on the part of IMR or the TBC Stockholders. Notwithstanding any contrary provision contained in this Agreement or any Transaction Document, this representation shall survive for the statute of limitations period applicable to fraudulent transfers and conveyances applicable under the Delaware Law, the law of the State of Illinois or any applicable law of the jurisdiction in which such claim is or may be brought, whichever last expires. Buyer and the Transitory Subsidiary further represent and warrant that (i) they are entering into the Transactions without the actual intent to hinder, delay or defraud any creditor of TBC or the TBC Subsidiaries, (ii) IMR and the other TBC Stockholders have, to Buyer's best knowledge, received reasonably equivalent value for the TBC Shares, and (iii) the Surviving Corporation and its Subsidiaries (a) are not about to engage in a business or transaction for which the Assets of the Surviving Corporation or its Subsidiaries are unreasonably small in relation to such business or transaction, (b) will not incur debts beyond the ability of the Surviving Corporation or its Subsidiaries to pay as they become due, and (c) will not be rendered insolvent by the consummation of the Transactions contemplated by this Agreement.

## ARTICLE VII.

### ADDITIONAL AGREEMENTS AND COVENANTS OF TBC, THE TRANSITORY SUBSIDIARY AND THE BUYER

7.1 FURTHER ASSURANCES. Upon the terms and subject to the conditions contained herein, each of the Parties hereto agrees (subject to the limitations on IMR's authority and ability under law to do so), that both before and after the Closing: (a) each of the Parties will use its best reasonable commercial efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable in order to consummate and make effective the Transactions (including satisfaction, but not waiver, of the Closing conditions set forth in Article VIII below); (b) each of the Parties will execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out the Transactions; and (c) each of the Parties will cooperate with each other Party connection with the foregoing clauses 7.1(a) and (b), including using their respective best reasonable commercial efforts to: (i) give any notices (and cause any of the TBC Subsidiaries to give any notices) to third parties and undertake to obtain (and cause any of the TBC Subsidiaries to undertake to obtain) any required waivers, consents and approvals from other parties to the Material Contracts,



Intellectual Property instruments and Material Leases; (ii) defend all Actions challenging this Agreement or the consummation of the Transactions; (iii) lift or rescind any injunction or restraining order or other Court Order adversely affecting the ability of the Parties to consummate the Transactions; and (iv) give any notices to, make any filings or registrations with (including, without limitation, submission of information requested by governmental authorities), and use its best reasonable commercial efforts to obtain any Material Permits required under the Regulations. Without limiting the generality of the foregoing: (A) TBC will undertake to obtain Stockholders' Consent as soon as reasonably practicable in order that the TBC Stockholders may consider the adoption of this Agreement in accordance with Delaware Law; (B) each of the Parties will file any Notification and Report Forms and related material that it may be required to file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the HSR Act (and Buyer or the Surviving Corporation shall be obligated to remit all fees and costs to third parties and authorities in connection therewith), will use its best reasonable commercial efforts to obtain an early termination of the applicable waiting period, and will make any further filings pursuant thereto that may be necessary; (C) each of the Parties will make best reasonable commercial efforts to file any notices, reports, forms and related materials that it may be required to file with the Interstate Commerce Commission or other similar federal transportation authority, as applicable, and the state transportation regulatory authorities (and Buyer or the Surviving Corporation shall be obligated to remit all fees and costs to third parties and authorities in connection with any proceeding or filing required due to the Transactions). All action required under clauses 7.1(c)(iii)(A) through (D) above shall be commenced immediately upon execution of this Agreement; provided, however, that the Parties acknowledge and agree that certain approvals, other than under the HSR Act, may not be obtained prior to the Effective Date, and, except to the extent that TBC or IMR has breached a specific representation or warranty as set forth in Article V or this covenant pertaining to such an approval, no liability to IMR shall accrue therefrom.

7.2 NO SOLICITATION. From the date hereof through the Closing or the earlier termination of this Agreement, none of IMR, IMR General, TBC, any TBC Subsidiary, or any of their respective Affiliates shall, directly or indirectly (whether on its own or through its Representatives), enter into, solicit, initiate or continue any discussions or negotiations with, or encourage or respond to any inquiries or proposals by, or participate in any negotiations with, or provide any information to, or otherwise cooperate in any other way with, any corporation, partnership, Person or other entity or group, other than the Transitory Subsidiary, the Buyer and their respective Representatives, concerning any sale of all or a material portion of the Assets or the Business (other than in the ordinary course of business), or of any shares of capital stock of TBC, or any merger, consolidation, liquidation, dissolution or similar transaction involving TBC (each such transaction being referred to herein as a

"PROPOSED ACQUISITION TRANSACTION"). None of IMR, IMR General, TBC, any TBC Subsidiary or any of their respective Affiliates shall, directly or indirectly, through any Representative or otherwise, solicit, initiate or encourage the submission of any proposal or offer from any Person (including, without limitation, a "Person" as defined in Section 13(d)(3) of the Exchange Act) or entity relating to any Proposed Acquisition Transaction or participate in any negotiations regarding, or furnish to any other Person any information with respect to TBC or any of the TBC Subsidiaries for the purposes of, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to seek or effect a Proposed Acquisition Transaction. Each of TBC and IMR hereby represents that neither it nor any of its Affiliates is now engaged in negotiations with any party other than the Transitory Subsidiary and the Buyer with respect to any of the foregoing. Each of TBC and IMR shall notify the Transitory Subsidiary and the Buyer promptly (orally and in writing) if any written offer, or any inquiry or contact with any Person with respect to any Proposed Acquisition Transaction, is made and shall provide the Transitory Subsidiary and the Buyer with a copy of such offer and with the identity of the Person making such inquiry or contact. TBC and the TBC Subsidiaries agree not to release any third party from, or waive any provision of, any confidentiality or standstill agreement to which TBC or any of the TBC Subsidiaries is a party.

7.3 NOTICE OF DEVELOPMENTS. From the date hereof through the Closing, each Party will give prompt written notice to each other Party of (i) the occurrence, or failure to occur, of any event which occurrence or failure would be likely to cause any representation or warranty contained in this Agreement or in any exhibit or schedule hereto or in the other Transaction Documents to be untrue or inaccurate in any material respect and (ii) any material failure of TBC, the Buyer, the Transitory Subsidiary, IMR or IMR General or any of their respective Affiliates, or of any of their respective stockholders or Representatives, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement or any exhibit or schedule hereto or in the other Transaction Documents. Except as set forth in Section 10.16 hereof, no disclosure by any party pursuant to this Section 7.3, however, shall be deemed to prevent or cure any misrepresentation, breach of warranty or breach of covenant or to satisfy any condition. Each of TBC, IMR and the Buyer shall promptly notify the other Parties of any Default, the threat or commencement of any Action, or any development that occurs before the Closing that could in any way materially affect TBC or any of the TBC Subsidiaries, the Assets or the Business.

7.4 FULL ACCESS. From the date hereof through the Effective Time the Buyer intends to continue to conduct a review of the business and financial condition of TBC and the TBC Subsidiaries. In connection with such review:

- (a) TBC and its Representatives will (and will cause each of the TBC

Subsidiaries and their respective Representatives to) permit Representatives of the Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of TBC and the TBC Subsidiaries, to all the officers, employees, agents, attorneys, accountants, properties, Books and Records and Contracts and other documents of or pertaining to each of TBC and the TBC Subsidiaries, and shall furnish the Buyer and its Representatives all financial, operating and other data and information as the Buyer or its Affiliates, through their respective Representatives, may reasonably request, including an unaudited balance sheet and the related statements of income, retained earnings and cash flow for each month from the date hereof through the Effective Time within 30 calendar days after the end of each month, which financial statements shall meet the standards set forth in Section 5.7 hereof.

(b) The Buyer will treat and hold as Confidential Information any such information it receives from TBC or any of the TBC Subsidiaries in the course of the reviews contemplated by this Section 7.4, will not use any such information except in connection with the Transactions, and, if this Agreement is terminated for any reason whatsoever, agrees to return to TBC all tangible embodiments (and all copies) thereof which are in its or any of its Affiliates' or Representatives' possession.

7.5 OPERATION OF BUSINESS. Except as contemplated by this Agreement, from the date hereof through the Closing, TBC and IMR will not (and will not cause or permit any of the TBC Subsidiaries to) engage in any practice, take any action, operate the Business or enter into any transaction outside the ordinary course or inconsistent with this Agreement without the written consent of Buyer. Without limiting the generality of the foregoing, without such written consent:

(a) neither TBC nor any of the TBC Subsidiaries will authorize or effect any change in their respective charters, articles of incorporation, or bylaws;

(b) neither TBC nor any of the TBC Subsidiaries will fail to use its best reasonable commercial efforts in the ordinary course of business to (i) retain the employees of TBC or any of the TBC Subsidiaries, (ii) maintain the Business so that such employees will remain available to the Surviving Corporation and its Subsidiaries at and after the Effective Time, (iii) maintain existing relationships with suppliers, agents, customers and others having business dealings with TBC and the TBC Subsidiaries, and (iv) otherwise preserve the goodwill of the Business so that such relationships and goodwill will be preserved for the Surviving Corporation and its Subsidiaries at and after the Effective Time;

(c) neither TBC nor any of the TBC Subsidiaries will enter into, extend, materially modify, terminate or renew any Contract or Lease, except in the ordinary course of business;

(d) neither TBC nor any of the TBC Subsidiaries will grant any options, warrants, or other rights to purchase or obtain any of its respective capital stock, except for those options previously scheduled to be granted in connection with the TBC 1993 Employee Stock Option Plan, or issue, sell, or otherwise dispose of any of its respective capital stock (except upon the conversion or exercise of options, warrants, and other rights currently outstanding);

(e) neither TBC nor any of the TBC Subsidiaries will declare, set aside, make or pay any dividend or other distribution with respect to its capital stock (whether in cash or in kind) or redeem, repurchase, or otherwise acquire any of its respective capital stock, in either case outside the ordinary course of business;

(f) neither TBC nor any of the TBC Subsidiaries will issue any note, bond, or other debt security or create, incur, assume or guarantee any indebtedness for borrowed money or capitalized lease obligation, incur any other Liability, or indemnify others outside the ordinary course of business;

(g) except as to sales of Non-Core Assets, of which Buyer will be advised prior to any such action, neither TBC nor any of the TBC Subsidiaries will sell, assign, transfer, convey, lease, impose any Encumbrance upon or otherwise dispose of or encumber any of the Assets, which sale, assignment, transfer, conveyance, lease, imposition of Encumbrance or other disposition is, individually or in the aggregate, in excess of \$50,000;

(h) within the exercise of reasonable business judgment, neither TBC nor any of the TBC Subsidiaries will fail to expend funds for budgeted capital expenditures or commitments, including, without limitation, with respect to BECOM 2000;

(i) neither TBC nor any of the TBC Subsidiaries will willingly allow or permit to be done any act by which any of the Insurance Policies may be suspended, impaired or canceled;

(j) neither TBC nor any of the TBC Subsidiaries will fail to pay its accounts payable, or pay or discharge when due any Liabilities, or fail to collect its accounts receivable in the ordinary course of business;

(k) neither TBC nor any of the TBC Subsidiaries will enter into, renew, modify or revise any agreement or transaction with any of its Affiliates other than for the transfer of cash in accordance with such Affiliates' ordinary course cash management practices;

(l) neither TBC nor any of the TBC Subsidiaries will fail to maintain the Assets in substantially their current state of repair, excepting normal wear and tear, or fail to replace, consistent with past practice, inoperable, worn-out or obsolete or destroyed Assets, except where the failure to so maintain or replace the Assets would not, individually or in the aggregate, have a Material Adverse Effect;

(m) neither TBC nor any of the TBC Subsidiaries will make any loans or advances to any individual, partnership, firm or corporation, except for expenses incurred in the ordinary course of business;

(n) neither TBC nor any of the TBC Subsidiaries will make any income tax election or settlement or compromise with tax authorities that would materially affect or impair the Business or the Assets, PROVIDED, HOWEVER, that Buyer's consent shall not be unreasonably withheld, conditioned or delayed;

(o) neither TBC nor any of the TBC Subsidiaries will fail to comply in any material respect with any material Regulations applicable to such Person, the Assets (taken as a whole) or the Business;

(p) neither TBC nor any of the TBC Subsidiaries will intentionally do any other act which would cause any representation or warranty of IMR or TBC in this Agreement to be or become untrue in any material respect;

(q) neither TBC nor any of the TBC Subsidiaries will acquire by merger or consolidation with, or merge or consolidate with, or make any capital investment in, make any loan to, or acquire the securities or assets of any other Person or division of any Person or otherwise acquire any material assets or business of any Person outside the ordinary course of business;

(r) neither TBC nor any of the TBC Subsidiaries will take any action with respect to the grant of any bonus, severance or termination pay (other than pursuant to policies or agreements of TBC or such TBC Subsidiary in effect on the date hereof that are described in the Disclosure Schedule) or with respect to any increase of benefits payable under its severance or termination pay policies or agreements in effect on the date hereof or increase in any manner the compensation or fringe benefits of any employee or pay any benefit not required by any existing TBC Plan or policy or otherwise make any change in employment terms for any of its respective directors, officers, and employees outside the ordinary course of business including, without limitation:

(i) making any change in the key management structure of TBC, including, without limitation, the hiring of additional officers or the termination of existing officers;

(ii) except in the ordinary course of business, adopting, entering into or amending any TBC Plan, agreement (including without limitation any collective bargaining or employment agreement), trust, fund or other arrangement for the benefit or welfare of any employee, except for any such amendment as may be required to comply with applicable Regulations; or

(iii) failing to maintain all TBC Plans in accordance with applicable Regulations;

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(s) neither TBC nor any of the TBC Subsidiaries will make any payment of any kind to or on behalf of any Affiliate or any officer or director of such Affiliate, pursuant to any agreement between TBC or any of the TBC Subsidiaries and such Affiliate or otherwise other than in the ordinary course of business; and

(t) neither TBC nor any of the TBC Subsidiaries will commit, or otherwise become obligated, to do any action prohibited hereunder.

7.6 VOTING OF TBC COMMON STOCK. IMR acknowledges that IMR is the record and beneficial owner of at least 90,000 shares of TBC Common Stock (the "IMR SHARES"). IMR hereby agrees that during the period commencing on the date hereof and continuing through the Effective Time that: (i) IMR will use its best reasonable commercial efforts to obtain the Stockholders' Consent and the consent of the board of directors of TBC, (ii) at any meeting of TBC Stockholders or directors (whether annual or special and whether or not an adjourned or postponed meeting), however called, or in connection with any written consent of the TBC Stockholders, and, assuming no material breach hereof by the Buyer or the Transitory Subsidiary, IMR shall vote (or cause to be voted) the IMR Shares (a) in favor of the Transactions, the execution and delivery by TBC of this Agreement and the other Transaction Documents and the approval and adoption of the terms thereof and each of the other actions contemplated by the Transaction Documents and any action required in furtherance thereof, and (b) against any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of TBC under the Transaction Documents, and (iii) IMR will not enter into any agreement or understanding with any person or entity the effect of which would be inconsistent or violative of the provisions and agreements contained in this Section 7.6. In the event Buyer holds TBC Shares prior to the Effective Date, Buyer agrees that it shall vote in favor of the consummation of the Transactions.

7.7 FILING OF TAX RETURNS. The parties agree and acknowledge that the Payment Agent shall have the right and obligation to prepare (and shall have the power to file when due, after giving effect to any applicable extensions), the federal and state income Tax Returns of TBC and the TBC Subsidiaries for the fiscal year ended March 31, 1996 (the "1996 TAX RETURNS"), together with any amendments to Tax Returns for prior years as a result thereof, and any amendments of income Tax Returns filed prior to March 31, 1996. The reasonable costs of such preparation shall be paid to the Payment Agent by the Surviving Corporation. The Payment Agent agrees and acknowledges that in the preparation of the 1996 Tax Returns, there shall be no changes to tax accounting methods or in the tax elections from the methods and elections used in the preparation of



the respective Tax Returns for prior years except as may be required as a result of federal or state audits of prior Tax Returns. In furtherance of the foregoing, Buyer or the Surviving Corporation will engage, at its own expense, an accounting firm to review the federal and state 1996 Tax Returns and any amended income Tax Return prior to March 31, 1996 (the "TAX ACCOUNTING FIRM"). The level of such review shall be sufficient to allow the Tax Accounting Firm to sign such Tax Returns as preparer. Assuming the Payment Agent's due delivery, such Tax Returns shall be provided to the Tax Accounting Firm no later than 30 days prior to the applicable due date and the Tax Accounting Firm shall complete its review and provide its comments to IMR not later than 15 days prior to the due date and an appropriate officer of the

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Surviving Corporation shall sign the Tax Returns prepared at the request of the Payment Agent; PROVIDED, HOWEVER, that in no event shall IMR's liability for Damages as a result of Taxes be limited in any way as a result of the signing by the Tax Accounting Firm or the Surviving Corporation of the Tax Returns prepared by the Payment Agent pursuant to this Section 7.7.

7.8 ESTABLISHMENT OF RESERVE FOR CENTRAL STATES PENSION FUND LIABILITIES. Prior to the Closing, TBC shall reserve, and the Closing Balance Sheet shall reflect, an aggregate of \$89,000 for liabilities and expenses incurred prior to or to be incurred after the Closing in connection with any "partial withdrawal" or "complete withdrawal" (as defined in Sections 4203 and 4205, respectively, of ERISA) of TBC, any TBC Subsidiary or any ERISA Affiliate from the Central States, Southeast and Southwest Areas Pension Fund.

7.9 ESTABLISHMENT OF RESERVE FOR NON-CORE ASSETS. Prior to the Closing, TBC shall reserve, and the Closing Balance Sheet shall reflect, any and all amounts required under GAAP to account for liabilities and expenses incurred prior to or to be incurred after the Closing in connection with any sale by TBC or any TBC Subsidiary of any Non-Core Assets completed prior to the Closing.

## ARTICLE VIII.

### CONDITIONS TO THE OBLIGATIONS OF TBC, IMR, IMR GENERAL, THE BUYER AND THE TRANSITORY SUBSIDIARY

8.1 CONDITIONS TO THE OBLIGATION OF THE BUYER AND THE TRANSITORY SUBSIDIARY. The respective obligations of the Buyer and the Transitory Subsidiary to consummate the Transactions are subject to satisfaction of the following conditions:

(a) TBC STOCKHOLDER APPROVAL. This Agreement, the other Transaction Documents and the Merger and the other Transactions shall have received the approval of the TBC Stockholders;

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in Article V above shall be true and correct in all material respects on and as of the date of this Agreement and at and as of the Effective Time, except and to the extent that the facts and conditions upon which such representations and warranties are based are expressly required or permitted to be changed by the terms hereof and except and to the extent Buyer has waived inaccuracies pursuant to the procedure set forth in Section 10.16 hereof;

(c) PERFORMANCE. TBC, IMR and IMR General shall have performed and complied with all of their respective agreements, covenants and obligations hereunder in all material respects through the Closing;

(d) NO REGULATION OR COURT ORDER. There shall not be any Regulation or Court Order in effect preventing or enjoining the consummation of any of the Transactions;

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(e) NO PROCEEDINGS OR LITIGATION. No Action by any governmental authority or other Person shall have been instituted or threatened which questions the validity or legality of the Transactions and which could reasonably be expected to materially damage any Party hereto if the Transactions are consummated, except to the extent that the institution or threat of such Action is based solely on the act of the Party (or its Affiliates or Representatives) seeking to avoid the Transactions;

(f) CERTIFICATES. TBC, IMR and IMR General shall have delivered to the Buyer certificates of their respective officers and others to the effect that each of the conditions specified in Sections 8.1(a)-(c) is satisfied in all respects;

(g) FINANCING. The Buyer shall have (i) secured the financing required to consummate the Merger and the other Transactions (including amounts required to repay any and all amounts due under the Loan Agreement), upon terms and subject to conditions reasonably satisfactory to it, and (ii) received confirmation that the Jacobs Debt shall have been repaid by TBC;

(h) REGULATORY COMPLIANCE AND APPROVAL. All applicable waiting periods (and any extensions thereof) under the HSR Act shall have expired or otherwise been terminated and the Parties shall have in good faith undertaken or have agreed to undertake to obtain all Permits, consents, waivers and approvals of governmental authorities and shall have obtained all consents, waivers and approvals of other Persons under the Material Contracts and Material Leases. Each Party hereto shall be satisfied that all approvals required to be obtained by any other Party hereto under any Regulations to carry out the Transactions shall have been subject to a good faith undertaking to obtain by such other Party and that each other Party hereto shall have complied with or undertaken to



comply with all Regulations applicable to the Transactions;

(i) OPINION. The Buyer and the Transitory Subsidiary shall have received from the respective counsel to TBC, IMR and IMR General an opinion in form and substance mutually satisfactory to the Parties and customary in transactions of the type contemplated by this Agreement and the other Transaction Documents, addressed to the Buyer and the Transitory Subsidiary, and dated as of the Effective Date;

(j) OTHER AGREEMENTS. The following agreements shall have been executed (or, if executed concurrently herewith, shall remain in full force and effect) and delivered by each of the parties thereto in form reasonably satisfactory to the Buyer and the Transitory Subsidiary in their sole discretion: (i) the Stockholders' Agreement, and (ii) the employment agreement dated as of the Effective Date between Andrew Estoclet and TBC (the "ESTOCLET AGREEMENT");

(k) NO NEW ELECTIONS. No new elections by TBC with respect to income Taxes, or changes in current elections with respect to income Taxes, affecting the Buyer shall have been made after the date of this Agreement without the prior written consent of the Buyer;

(l) NO MATERIAL ADVERSE CHANGE. Since the date of the Most Recent Fiscal Quarter End Financial Statements, there shall not have been any Material Adverse Change;

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(m) REVIEW OF AGENCY AND CUSTOMER RELATIONSHIPS. The Parties shall jointly cooperate in the notification of the Material Customers and Material Agents concerning the Transactions contemplated herein. The manner, means and method of communication with such Material Agents and Material Customers shall be mutually determined by the Parties. Buyer shall have determined in good faith but within its sole discretion that the responses to such communications have been satisfactory;

(n) RESOLUTIONS. The Buyer and the Transitory Subsidiary shall have received from each of TBC, IMR and IMR General resolutions adopted by the board of directors and stockholders, as the case may be, of such Parties, approving this Agreement, the other Transaction Documents and the Transactions, certified by the corporate secretary of such other Parties, as applicable;

(o) SATISFACTORY TO BUYER. All actions to be taken by TBC, IMR and IMR General in connection with consummation of the Transactions and all certificates, opinions, instruments, and other documents required to effect the Transactions shall have been reasonably satisfactory in form and substance to the Buyer and the Transitory Subsidiary;

(p) REVIEW OF FORMERLY OWNED PROPERTIES. The Buyer shall have

completed a review of the Owned Real Property formerly owned by TBC and the TBC Subsidiaries, which review shall be satisfactory to Buyer in its sole discretion;

(q) PURCHASE OF PURCHASED INTERESTS. The Payment Agent shall have purchased the Purchased Interests as described in Section 2.3(b) hereof and prior to or at the Effective Time all such Purchased Interests shall have been contributed to TBC, and held in treasury or cancelled, retired or otherwise extinguished; and

(r) SOLVENCY OPINION. The Buyer and the Transitory Subsidiary shall have received, from Houlihan Lokey Howard & Zukin, Inc. (or other nationally recognized firm mutually acceptable to the Parties), a customary "solvency" opinion in form and substance mutually satisfactory to the Parties (the "SOLVENCY OPINION"). The Solvency Opinion shall be addressed to the Parties, shall be dated as of the Effective Date, and shall include the rendering firm's opinion as to whether (among such other matters as the Parties may establish by mutual agreement) (i) the Surviving Corporation would be rendered insolvent by the consummation of the transactions contemplated by the Agreement, (ii) following the consummation of such Transactions, the Surviving Corporation's assets would be unreasonably small in relation to its business or such transactions, and (iii) following such consummation, the Surviving Corporation would be able to pay its debts as they mature.

The Buyer may waive any condition specified in this Section 8.1 if it executes a writing so stating at or prior to the Closing (except with respect to Section 8.1(a) which shall apply according to its terms) or shall be deemed to have waived any condition if, to the Knowledge of Buyer, a particular condition is not met and Buyer elects, nonetheless, to proceed to Closing.

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8.2 CONDITIONS TO OBLIGATION OF TBC, IMR AND IMR GENERAL. The respective obligations of TBC, IMR and IMR General to consummate the Transactions are subject to satisfaction of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in Article VI above shall be true and correct in all material respects on and as of the date of this Agreement and at and as of the Effective Time, except and to the extent that the facts and conditions upon which such representations and warranties are based are expressly required or permitted to be changed by the terms hereof and except and to the extent TBC and IMR have waived inaccuracies pursuant to the procedures set forth in Section 10.16 hereof;

(b) PERFORMANCE. The Buyer and the Transitory Subsidiary shall have performed and complied with all of their respective agreements, covenants and obligations hereunder in all material respects through the Closing;

(c) NO REGULATION OR COURT ORDER. There shall not be any Regulation or Court Order in effect preventing or enjoining the consummation of any of the Transactions are consummated;

(d) NO PROCEEDINGS OR LITIGATION. No Action by any governmental authority or other Person shall have been instituted or threatened which questions the validity or legality of the Transactions and which could reasonably be expected to materially damage any Party hereto if the Transactions are consummated, except to the extent that the institution or threat of such Action is based solely on the act of the Party (or its Affiliates or Representatives) seeking to avoid the Transactions;

(e) CERTIFICATES. The Buyer and the Transitory Subsidiary shall have delivered to TBC, IMR and IMR General certificates of their respective officers and others to the effect that each of the conditions specified in Section 8.2(a) and (b) is satisfied in all respects;

(f) REGULATORY COMPLIANCE AND APPROVAL. All applicable waiting periods (and any extensions thereof) under the HSR Act shall have expired or otherwise been terminated and the Parties shall have in good faith undertaken or have agreed to undertake to obtain all Permits, consents, waivers and approvals of governmental authorities and shall have obtained all consents, waivers and approvals of other Persons under the Material Contracts and Material Leases. Each Party hereto shall be satisfied that all approvals required to be obtained by any other Party hereto under any Regulations to carry out the Transactions shall have been subject to a good faith undertaking to obtain by such other Party and that each other Party hereto shall have complied with or undertaken to comply with all Regulations applicable to the Transactions;

(g) OPINIONS. TBC, IMR and IMR General shall have received from counsel to the Buyer and the Transitory Subsidiary an opinion in form and substance mutually agreeable to the Parties and customary in transactions of the type contemplated by this Agreement and the other Transaction Documents, addressed to TBC, IMR and IMR General, and dated as of the Effective Date;

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(h) RESOLUTIONS. TBC shall have received from the Buyer and the Transitory Subsidiary resolutions adopted by the board of directors and stockholders, as the case may be, of such Parties, approving this Agreement, the other Transaction Documents and the Transactions, certified by the corporate secretary of such other Parties, as applicable;

(i) SATISFACTORY TO TBC, IMR AND IMR GENERAL. All actions to be taken by the Buyer and the Transitory Subsidiary in connection with consummation of the Transactions and all certificates, opinions, instruments, and other documents required to effect the Transactions shall have been reasonably satisfactory in form and substance to TBC, IMR and IMR General;

(j) OTHER AGREEMENTS. The Estoclet Agreement and the Stockholders Agreement shall have been executed (or, if executed concurrently herewith, shall remain in full force and effect) and delivered by each of the parties thereto;

(k) PAYMENT OF IRWIN L. JACOBS. Payment of the Jacobs Debt shall have been remitted by TBC to Mr. Jacobs.

(l) RELEASE OF GUARANTEES AND OTHER OBLIGATIONS. Prior to Closing any and all guarantees, letters of credit, contingent obligations and all other obligations given to third parties which arise from or are associated with the Business or financing of TBC or any of the TBC Subsidiaries, by IMR, Irwin L. Jacobs or any Affiliate thereof (the "RELEASED OBLIGATIONS") shall have been unconditionally released and extinguished, unless IMR has elected to waive such condition, in which case the Surviving Corporation shall continue to diligently pursue the release and extinguishment of the Released Obligations after the Effective Date. To the extent the Released Obligations are not unconditionally released and extinguished prior to or on the Effective Date, Buyer and the Transitory Subsidiary shall defend, indemnify and hold harmless IMR, Irwin L. Jacobs and any Affiliates thereof from and against any Damages (as hereinafter defined) in respect of Released Obligations to the extent that such Damages first arise after the Effective Date as a result of actions or inactions by Buyer; and

(m) SOLVENCY OPINION. TBC, IMR and IMR General shall have received the Solvency Opinion.

TBC, IMR and IMR General may waive any condition specified in this Section 8.2 if it executes a writing so stating at or prior to the Closing or shall be deemed to have waived any condition if Roger Cloutier, II, Gary Holter or Andrew Estoclet has actual knowledge that such condition is not met and TBC, IMR and IMR General elect, nonetheless, to proceed to Closing.

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## ARTICLE IX.

### SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATIONS

9.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. All statements contained in the Disclosure Schedule, any Supplement or in any certificate, schedule, exhibit or instrument of conveyance delivered by or on behalf of the Parties pursuant to this Agreement or in connection with the Transactions shall be deemed to be representations and warranties of such Parties. Subject to the provisions of Section 10.1 of this Agreement, the representations, warranties and agreements of the Parties hereto shall survive the Closing as follows: (a) except as set forth in Section 9.1(c) below, the representations and warranties (other than those set forth in Section 6.6) and the agreements of Buyer and the Transitory Subsidiary shall survive the Effective Time indefinitely, and the representations and warranties of the Buyer

and the Transitory Subsidiary set forth in Section 6.6 shall terminate when the applicable statute of limitations with respect to the Liabilities in question expire (giving effect to any extensions and waivers thereof), and (b) the representations, warranties and agreements of IMR, IMR General and TBC shall survive the Closing and shall terminate May 31, 1998; PROVIDED, HOWEVER, that the representations and warranties of IMR and TBC contained in Sections 5.11 and 5.12 of this Agreement shall terminate when the applicable statute of limitations with respect to the Liabilities in question expire (giving effect to any extensions or waivers thereof), and (c) the agreements of the Parties set forth in Articles II, III and X and, subject to Section 9.2(g), in this Article IX shall survive the Effective Time indefinitely and those set forth in Sections 10.9 and 10.11 shall survive termination pursuant to Section 10.1 indefinitely.

## 9.2 AGREEMENT TO DEFEND AND INDEMNIFY.

(a) BY IMR. IMR shall indemnify, save and hold harmless the Buyer, the Transitory Subsidiary, the Surviving Corporation and their respective Affiliates and Representatives (collectively, the "BUYER INDEMNIFIED PARTIES"), from and against any and all costs, losses, Taxes, liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, losses in connection with any Environmental Law (including, without limitation, costs for any clean-up, remedial, corrective or response action, costs of compliance activities, fines and penalties), and other losses resulting from any shutdown or curtailment of operations (although each Party hereto who is an indemnified party shall, and shall cause its Affiliates and Representatives to, use commercially reasonable efforts to mitigate any such losses), damages to the environment, reasonable attorneys' fees and all reasonable amounts paid in investigation, defense or settlement (incurred solely in accordance with the terms, conditions and agreements hereof, including without limitation the provisions of Section 9.2(e)) of any of the foregoing (herein, "DAMAGES"), incurred in connection with, arising out of, resulting from or incident to (i) any breach or inaccuracy of any representation or warranty made by IMR, IMR General or TBC in or pursuant to this Agreement or any of the other Transaction Documents; (ii) any breach of any covenant or agreement made by IMR, IMR General or TBC in or pursuant to this Agreement or any of the other Transaction Documents; (iii) any Damages for Taxes of TBC or any of the TBC Subsidiaries for any taxable periods ending at or before

March 31, 1996 (the "PRE-CLOSING TAX PERIOD") whether or not paid or payable at any time prior to or after the Pre-Closing Tax Period, except (a) to the extent of any reserves for such Taxes (other than a Tax Audit Adjustment, as to which indemnification shall be available) reserved on the Closing Balance Sheet, and (b) Damages for disallowed deductions for TBC costs and expenses incurred in connection with the Transactions; (iv) any Damages (as a result of Treasury Regulation Section 1.1502-6(a) or otherwise) for Taxes of any

Person (other than TBC or any of the TBC Subsidiaries) with which TBC or any of the TBC Subsidiaries is or has been Affiliated or has filed or has been required to file a consolidated, combined or unitary Tax Return prior to the Closing; (v) any Damages of any nature (absolute, accrued, contingent or otherwise) of TBC or any of the TBC Subsidiaries or any ERISA Affiliate not otherwise reserved for on the Closing Balance Sheet (A) arising under or relating to any TBC Plan other than any Multiemployer Plan with respect to any event, action, failure to act or period prior to the Closing, or (B) arising under or relating to any Multiemployer Plan with respect to any event, action, failure to act or period prior to or up to the end of the fifth calendar year beginning after the Closing, including in connection with any "complete withdrawal" or "partial withdrawal" from such Multiemployer Plan as defined in Sections 4203 and 4205, respectively, of ERISA, but excluding any damages or liabilities under any collective bargaining agreements for breach of contract or unfair labor practice which occurs after the Closing; PROVIDED, HOWEVER, that the Buyer Indemnified Parties shall be indemnified for Damages pursuant to this Section 9.2(a)(v) only when the aggregate amount of such Damages exceeds \$100,000 and, thereafter, only to the extent of such excess; (vi) any Damages in respect of Dissenting Shares (including, without limitation, any costs of establishing fair value of such Dissenting Shares under the Delaware Law, and all amounts payable as a result of such valuation proceedings); (vii) any Damages in respect of Sellers' Transactional Expenses; (viii) any Damages in respect of actions or failures to act by IMR General or its Representatives or agents in its capacity as Payment Agent for the TBC Stockholders; (ix) any Damages or obligations arising out of CERCLA, any equivalent state statute or any other Environmental Law or Environmental Claims not otherwise reserved for on the Closing Balance Sheet, except to the extent that such Liability or obligation is caused primarily by actions of Buyer or the Surviving Corporation occurring after the Effective Time; and (x) any Damages in respect of the Loan Agreement not otherwise reserved for on the Closing Balance Sheet.

(b) BY THE BUYER. The Buyer shall indemnify, save and hold harmless the TBC Stockholders, IMR, IMR General, the Former Holders and their respective Representatives and Affiliates (collectively, the "STOCKHOLDER INDEMNIFIED PARTIES") from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to (i) any breach or inaccuracy of any representation or warranty made by the Buyer or the Transitory Subsidiary in or pursuant to this Agreement or any of the other Transaction Documents; or (ii) any breach of any covenant or agreement made by the Buyer or the Transitory Subsidiary in or pursuant to this Agreement or any of the other Transaction Documents; or (iii) any Damages in respect of Released Obligations to the extent that such Damages first arise after the Effective Date as a result of actions or inactions by Buyer; and (iv) any Damages resulting from any assertion, investigation, prosecution or judicial determination that the Transactions constituted a fraudulent conveyance or fraudulent transfer or otherwise operated to hinder or defraud creditors of TBC.



(c) DAMAGES. The term "DAMAGES" as used in this Section 9.2 is not limited to matters asserted by third parties against any indemnified party, but includes Damages incurred or sustained by any indemnified party in the absence of third party claims. Payments by any indemnified party of amounts for which such indemnified party is indemnified hereunder shall not be a condition precedent to recovery. Any indemnifying party's obligation to indemnify any indemnified party shall not limit any other rights, including without limitation rights of contribution, which either party may have under statute or common law.

(d) COOPERATION. Each indemnified party shall cooperate in good faith and in all reasonable respects with each indemnifying party and its Representatives (including without limitation its attorneys) in the investigation, trial and defense of any lawsuit or action and any appeal arising therefrom; PROVIDED, HOWEVER, that such indemnified party may, at its own cost, participate (by observation and suggestion only) in negotiations, arbitrations and the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The Parties shall cooperate with each other in any notifications to insurers, and in the provision of information and documentation, at no cost to the indemnifying party, including without limitation, copies of documents, availability and cooperation of executives and employees, use of the indemnified party's facilities and access to any and all books and records. In furtherance of the foregoing, the indemnified party shall fully cooperate with the indemnifying party and, at the request of the indemnifying party, provide any required waivers, consents, powers of attorney and approvals reasonably necessary, desirable or required for the indemnifying party to properly, without limitation, investigate, review, negotiate, defend, compromise or settle any matter the indemnified party has undertaken pursuant to this Agreement, including those matters set forth in Section 9.2(e) hereof.

(e) DEFENSE OF CLAIMS.

(i) If a claim for Damages (a "CLAIM") is to be made by a party entitled to indemnification hereunder against the indemnifying party, the party claiming such indemnification shall, subject to Section 9.1, give written notice (a "CLAIM NOTICE") to the indemnifying party as soon as practicable after the party entitled to indemnification becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 9.2. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event within fifteen (15) calendar days after the service of the citation or summons). The failure of any indemnified party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, if the indemnifying party shall acknowledge in writing to the indemnified party that the indemnifying party shall be obligated under the terms of its indemnity hereunder in connection with such lawsuit or enforcement action, then the indemnifying party shall be entitled, if it so elects at its own cost, risk and expense, (a) to take control of the defense and investigation

of such lawsuit or enforcement action, (b) to employ and engage attorneys of its own choice to handle and defend the same unless the named parties to such action or proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party, and, in the good faith

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determination of counsel to the indemnifying party, notice of which shall be promptly delivered to the indemnified party, there is an actual conflict of interest between the indemnified party and the indemnifying party recognized under applicable Rules of Professional Responsibility (such determination not to consider the Claim for Damages the indemnified party has asserted or may ultimately assert against the indemnifying party), in which event the indemnified party shall be entitled, at the indemnifying party's reasonable cost, risk and expense, to separate counsel of its own choosing, and (c) to compromise or settle such lawsuit or enforcement action, which compromise or settlement shall be made only with the written consent of the indemnified party, such consent not to be unreasonably withheld, delayed or conditioned. If the indemnifying party fails to assume the defense of such lawsuit or enforcement action within fifteen (15) calendar days after receipt of the Claim Notice, the indemnified party against which such lawsuit or enforcement action has been asserted will (upon delivering notice to such effect to the indemnifying party) have the right to undertake, at the indemnifying party's cost and expense, the defense, compromise or settlement of such lawsuit or enforcement action on behalf of and for the account and risk of the indemnifying party; PROVIDED, HOWEVER, that such lawsuit or enforcement action shall not be compromised or settled without the written consent of the indemnifying party, which consent shall not be unreasonably withheld, delayed or conditioned. In the event the indemnified party assumes the defense of the lawsuit or enforcement action, the indemnified party will keep the indemnifying party reasonably informed of the progress of any such defense, compromise or settlement; PROVIDED, HOWEVER, that the indemnifying party may, at its own cost, participate (by observation and suggestion only) in negotiations, arbitrations and the investigation, trial and defense of any such lawsuit or enforcement action and any appeal arising therefrom. The indemnifying party shall be liable for any settlement of any lawsuit or enforcement action effected pursuant to and in accordance with this Section 9.2 and for any final judgment (subject to any right of appeal), and the indemnifying party agrees to indemnify and hold harmless an indemnified party from and against any Damages by reason of such settlement or judgment.

(ii) In furtherance of the foregoing paragraph (i) above and except for any lawsuits or enforcement actions (which are covered in paragraph (e)(i) above), Buyer and the Surviving Corporation agree and acknowledge that they shall make their respective best reasonable commercial efforts to advise IMR as soon as practicable upon becoming aware of any fact, condition or event or upon the receipt of notice of any Action, claim or other notice (whether formal or otherwise) of any investigation, claim, audit, examination, review or other matter (including without limitation all matters or issues pertaining to



Taxes, ERISA, Benefit Arrangements, or Environmental Matters) which may give rise to a Claim under this Agreement or any Transaction Document. The failure of the Buyer and/or the Surviving Corporation to give timely notice hereunder shall not affect their rights to indemnification, except to the extent IMR demonstrates actual damage caused by such failure. If, after the receipt of such notice and prior to the expiration of the Examination Period (as defined below), IMR acknowledges in writing to the Buyer Indemnified Parties that IMR shall be obligated under the terms of its indemnity with respect to the matter in question, IMR shall have the right under the terms hereof (a) to undertake, at its own cost, risk and expense, the investigation, review and defense of any existing or potential claim, audit, examination, review or other such event, (b) to employ and engage attorneys, accountants and other professionals and consultants of its own choice to review, investigate, negotiate and defend the same unless the parties to such matter include both IMR and/or one of

its Affiliates and TBC and/or one of its Affiliates, and, in the good faith determination of counsel to IMR, notice of which shall be promptly delivered to TBC, there is an actual conflict of interest between such Persons recognized under applicable Rules of Professional Responsibility (such determination not to consider the Claim for Damages TBC and/or one of its Affiliates has asserted or may ultimately assert against IMR and/or one of its Affiliates), in which event TBC and/or such Affiliate shall be entitled, at IMR's reasonable cost, risk and expense, to separate counsel of its own choosing, and (c) to compromise or settle such claim, audit, examination, review or other such matter, which compromise or settlement shall be made only with the written consent of TBC, which consent shall not be unreasonably withheld, delayed or conditioned. If IMR fails to so acknowledge such an indemnification obligation with respect to such matter prior to the expiration of the Examination Period, TBC shall have the right to undertake, at IMR's expense, the investigation, review and defense of the existing or potential claim, audit, examination, review or other such event (including compromise and settlement) on behalf of and for the account and risk of IMR; PROVIDED, HOWEVER, that the matter shall not be compromised or settled without the written consent of IMR, which consent shall not be unreasonably withheld, delayed or conditioned. In the event TBC assumes the defense of the matter, TBC will keep IMR reasonably informed of the progress of any such defense, compromise or settlement; PROVIDED, HOWEVER, that IMR may, at its own cost, participate (by observation and suggestion only) in negotiations, arbitrations and the investigation, trial and defense of any such matter and any appeal arising therefrom. IMR shall be liable for any settlement of any matter effected pursuant to and in accordance with this Section 9.2 and for any final judgment (subject to any right of appeal), and IMR agrees to indemnify and hold harmless TBC from and against any Damages by reason of such settlement or judgment. The foregoing shall specifically apply to any and all federal or state income or other Tax audit examinations, including the present IRS audit (which shall continue to be undertaken by IMR, and, further, is specifically subject to the provisions of 9.2(d) hereof). For

the purposes of this Agreement, "EXAMINATION PERIOD" shall mean the lesser of (a) one-half of the remaining period of time in which TBC is required to respond to any third party in respect of the circumstances contemplated by this Section 9.2(e)(ii), giving effect to any extensions or waivers of such period secured by IMR, and (b) 30 days following the date upon which IMR receives the notice contemplated by the first sentence of this paragraph.

(f) REPRESENTATIVES. No individual Representative of any Party, or their respective Affiliates, shall be personally liable for any Damages under the provisions contained in this Section 9.2. Nothing herein shall relieve any party of any Liability to make any payment expressly required to be made by such party pursuant to this Agreement.

(g) OTHER MATTERS. Notwithstanding anything to the contrary contained in this Agreement:

(i) IMR's liability under the indemnification provisions of Section 9.2(a) hereof or otherwise under this Agreement shall be subject to reduction in an amount equal to the value of any net tax benefit (giving effect to the time value of money at a discounting rate of 10%) realized (by reason of a tax deduction, basis adjustment, shifting of income, credits and/or deductions or otherwise from one or more fiscal periods to another) or insurance benefit realized

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by Buyer in connection with the loss or damage suffered by Buyer which forms the basis of IMR's liability hereunder;

(ii) in no event shall the Buyer Indemnified Parties seek indemnification from IMR pursuant to Sections 9.2(a)(i) and 9.2(a)(ix) hereof until the aggregate amount of Damages under Sections 9.2(a)(i) and 9.2(a)(ix) for which the Buyer Indemnified Parties are seeking indemnification exceeds \$600,000 (the "DEDUCTIBLE");

(iii) the aggregate amount of liability for Damages of IMR in respect of Section 9.2(a) (including but not limited to any and all liabilities of IMR for costs, expenses and attorneys' fees paid or incurred in connection therewith or in connection with the curing of any and all misrepresentations or breaches of representations, warranties or covenants under this Agreement) is limited to an amount which does not exceed the Purchase Price actually paid to and received by the Payment Agent;

(iv) the indemnification obligations of IMR pursuant to Section 9.2(a)(i) (except with respect to the representations and warranties made in Section 5.11 and 5.12 of this Agreement), 9.2(a)(vi) and 9.2(a)(ix) shall survive until May 31, 1998. The indemnification obligations of IMR under Section 9.2(a)(i) (solely with respect to the representations and warranties made in Sections 5.11 and 5.12 of this Agreement), 9.2(a)(ii), 9.2(a)(iii),

9.2(a) (iv), 9.2(a) (v), 9.2(a) (vii), 9.2(a) (viii) and 9.2(a) (x) shall extend until the termination of the applicable statute of limitations; PROVIDED, HOWEVER, that, subject to the provisions of Section 9.2(g) (vii) below, (A) the Buyer Indemnified Parties shall have the right to make a Claim hereunder prior to the time at which the Deductible (if any) that is applicable to such Claim has been surpassed for the purpose of asserting such Claim within the relevant survival period of the applicable indemnification obligation, and (B) any such Claim made within such period shall, to the extent such Deductible ultimately is met, survive until its final resolution;

(v) it is specifically understood and agreed that in the event a misrepresentation made herein or pursuant hereto or a breach of any representation, warranty or covenant contained herein is discovered by Buyer and asserted by it after the Closing, the remedy of Buyer shall be limited to indemnification as set forth in Section 9.2(a) hereof (as limited by the provisions set forth in this Section or elsewhere in this Agreement), and Buyer shall not be entitled to the rescission of this Agreement, nor shall a multiplier be used in the computation of Damages as the amount of a Claim;

(vi) neither (A) the termination of the representations, warranties, covenants or agreements contained herein, nor (B) the expiration of the indemnification obligations described above, will affect the rights of a Party in respect of any Claim made by such Party in a writing conforming to the provisions of Section 9.2(g) (vii) below received by an indemnifying Party prior to the expiration of the applicable survival period provided herein; and

(vii) to the extent any Claim is made hereunder by any indemnified party, such Claim shall include a written explanation of the nature of and reason for the Claim,

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the dollar amount thereof and such other supporting detail as can be reasonably provided by the indemnified party.

## ARTICLE X.

### MISCELLANEOUS

#### 10.1 TERMINATION.

(a) TERMINATION OF AGREEMENT. This Agreement may be terminated any time prior to the Closing:

(i) By the mutual written consent of the Buyer, the Transitory Subsidiary, TBC, IMR and IMR General;

(ii) By the Buyer or the Transitory Subsidiary at any time prior to the Effective Time (A) if TBC, IMR or IMR General has breached any

representation, warranty, or covenant contained in this Agreement or in any of the other Transaction Documents in any material respect, or (B) if the Closing shall not have occurred on or before April 30, 1996 by reason of the failure of any condition set forth in Section 8.1 hereof (unless the failure results primarily from the Buyer or the Transitory Subsidiary breaching any representation, warranty, or covenant contained in this Agreement or any of the other Transaction Documents);

(iii) By TBC, IMR or IMR General at any time prior to the Effective Time (A) if the Buyer or the Transitory Subsidiary has breached any representation, warranty, or covenant contained in this Agreement or in any of the other Transaction Documents in any material respect, or (B) if the Closing shall not have occurred on or before April 30, 1996 by reason of the failure of any condition set forth in Section 8.2 hereof (unless the failure results primarily from TBC, IMR or IMR General breaching any representation, warranty, or covenant contained in this Agreement or any of the other Transaction Documents); and

(iv) By any Party through the delivery or receipt of written notice of objection to a Supplement to or from the other Party or Parties pursuant to the procedures described in Section 10.16 hereof. In order to terminate this Agreement, such Supplement shall be material (in the receiving Party's sole and reasonable discretion) to the representation or warranty so modified. No inadvertence or mistake on the part of a Party, which results in a Supplement, will be deemed "willful."

(b) EFFECT OF TERMINATION. If any Party terminates this Agreement pursuant to Section 10.1(a) above: (i) all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party for wilful, as opposed to inadvertent or mistaken, breach prior to the termination of this Agreement); (ii) each Party will redeliver all documents, work papers and other material of any other Party relating to the Transactions, whether so obtained before or after the execution hereof, to the Party furnishing the same; and (iii) the provisions of Section 10.9 shall continue in full force and effect.

The foregoing provisions shall not limit or restrict the availability of specific performance or other injunctive relief to the extent that specific performance or such other relief would otherwise be available to a Party hereunder.

10.2 ASSIGNMENT. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any Party without the prior written consent of the other Parties; except that the Transitory Subsidiary or the Buyer may, without such consent, assign all such rights and obligations to a wholly-owned subsidiary (or a partnership controlled by the Transitory Subsidiary or the Buyer) or Subsidiaries of the Transitory Subsidiary or the Buyer or to a successor in interest to the Transitory Subsidiary or the Buyer

which shall assume all obligations of the Transitory Subsidiary or the Buyer, as the case may be, under this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, and, except as otherwise provided in Section 10.14 hereof, no other Person shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

10.3 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (E.G., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to TBC or IMR, addressed to:

Roger R. Cloutier, II  
Jacobs Investors, Inc.  
Suite 2500  
100 South Fifth Street  
Minneapolis, MN 55402  
Telecopy No.: (612) 337-1931

With a copy to:

Stephen Winnick, Esq.  
Michael Grimes, Esq.  
Briggs and Morgan, P.A.  
2400 IDS Center  
80 South Eighth Street  
Minneapolis, MN 55402  
Telecopy No.: (612) 334-8650

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If to the Transitory Subsidiary or the Buyer, addressed to:

William E. Simon, Jr.  
William E. Simon & Sons, LLC  
Suite 1750  
10990 Wilshire Boulevard  
Los Angeles, California 90024  
Telecopy No.: (310) 575-3174

With a copy to:

Latham & Watkins

633 West Fifth Street, Suite 4000  
Los Angeles, California 90071  
Attention: Paul D. Tosetti, Esq.  
Telecopy No.: (213) 891-8763

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

10.4 ENTIRE AGREEMENT; AMENDMENTS; EXTENSIONS AND WAIVERS. This Agreement (including the other Transaction Documents and other documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof. The Parties may mutually amend any provision of this Agreement at any time prior to the Effective Time; PROVIDED, HOWEVER, that any amendment effected subsequent to the approval of the TBC Stockholders at the Stockholders Meeting will be subject to the restrictions contained in Delaware Law. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties. Without limitation of the provisions of Section 10.16 hereof, no waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.5 MULTIPLE COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.6 INVALIDITY. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other instrument referred to herein.

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10.7 TITLES. The titles, captions or headings of the Articles and Sections herein are for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

10.8 PRESS RELEASES AND PUBLIC ANNOUNCEMENTS. No Party (or any Affiliate thereof) shall issue any press release or make any public announcement (which shall include making any announcements to, or conducting any discussions with, the agents of any Party, except that any Party may conduct confidential discussions with its own agents) relating to the subject matter of this Agreement without the prior written approval of the other Parties; PROVIDED,

HOWEVER, that in the case of announcements, statements, acknowledgments or revelations which any such Party is required by law to make, issue or release, the making, issuing or releasing of any such announcement, statement, acknowledgment or revelation by the Party so required to do so by law shall not constitute a breach of this Agreement if such Party shall have given, to the extent reasonably possible, not less than two (2) business days prior notice to the other Parties, and shall have attempted, to the extent reasonably possible, to clear such announcement, statement, acknowledgment or revelation with the other Parties. Each Party hereto agrees that it will not unreasonably withhold any such consent or clearance.

#### 10.9 CONFIDENTIALITY.

(a) CONFIDENTIALITY AGREEMENT. Each Party hereto acknowledges that the execution and delivery of that certain Confidentiality and Non-Disclosure Agreement dated November 6, 1995, and the letter agreement dated December 21, 1995, binds the Parties with each of their respective terms and shall survive the termination of any discussions or negotiations which are the subject of this Agreement. Additionally, the Parties acknowledge that this Agreement and the Transactions are of a confidential nature and will not be disclosed, except to consultants, advisors and Affiliates, or as required by law.

(b) PRESERVATION OF CONFIDENTIALITY. In connection with the negotiation of this Agreement, the preparation for the consummation of the Transactions, and the performance of obligations hereunder, each of the Parties acknowledges that it will have access to confidential information relating to each of the other Parties hereto, including technical or marketing information, ideas, methods, developments, inventions, improvements, business plans, trade secrets, scientific or statistical data, diagrams, drawings, specifications, customer, agent and supplier lists, know-how or other proprietary information relating thereto, together with all analyses, compilations, studies or other documents, records or data prepared by such Party or their respective Representatives which contain or otherwise reflect or are generated from such information ("CONFIDENTIAL INFORMATION"). The term "CONFIDENTIAL INFORMATION" does not include information received by a Party in connection with the Transactions which (i) is or becomes generally available to the public other than as a result of a disclosure by such Party or its Representatives, (ii) was within such Party's possession prior to its being furnished to such Party by or on behalf of the other Party in connection with the Transactions; PROVIDED that the source of such information was not known by such Party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other Party or any other Person with respect to such information or (iii) becomes available to such Party on a non-

confidential basis from a source other than the other Party or any of their respective Representatives; PROVIDED that such source is not bound by a



confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other Party or any other Person with respect to such information.

(c) NON-DISCLOSURE. Each Party shall treat all Confidential Information of the other Parties as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information, except to its Representatives and Affiliates who need to know such Confidential Information in connection with the Transactions. Each Party shall use all reasonable efforts to cause its Representatives to treat all such Confidential Information of the other Parties as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information. Each Party shall be responsible for any breach of this Agreement by any of its Representatives. If, however, Confidential Information is disclosed, the Party responsible for such disclosure shall immediately notify the other Parties in writing and take all reasonable steps required to prevent further disclosure.

(d) LEGAL REQUEST FOR CONFIDENTIAL INFORMATION. If one Party or any of its Representatives or Affiliates is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or other similar process) or is required by operation of law to disclose any Confidential Information, such Party shall provide the other Parties with prompt written notice of such request or requirement, which notice shall, if practicable, be at least 48 hours prior to making such disclosure, so that the other Parties may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of such a waiver, such Party or any of its Representatives are nonetheless, in the opinion of counsel, legally compelled to disclose Confidential Information, then such Party may disclose that portion of the Confidential Information which such counsel advises is legally required to be disclosed; PROVIDED that such Party uses its reasonable efforts to preserve the confidentiality of the Confidential Information, whereupon such disclosure shall not constitute a breach of this Agreement.

(e) RETURN OF CONFIDENTIAL INFORMATION. Until the Closing or the termination of this Agreement, all Confidential Information will remain the property of the Party who originally possessed such information. In the event of the termination of this Agreement, each of the Parties shall, and shall cause its Affiliates to, return promptly every document furnished to them by any other Party in connection with the Transactions and any copies thereof which have been made, and shall cause its Representatives to whom such documents were furnished promptly to return such documents and any copies thereof any of them may have made, other than documents which are otherwise publicly available.

10.10 CUMULATIVE REMEDIES. All rights and remedies of any Party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.



10.11 FEES AND EXPENSES. Each Party shall bear its own fees and expenses in connection with the Transactions, except in connection with fees and out-of-pocket expenditures incurred in connection with obtaining the Solvency Opinion, of which each of Buyer and IMR shall be responsible for one-half. As noted in the definition of Sellers' Transactional Expenses, professional fees and expenses incurred by or on behalf of TBC and the TBC Subsidiaries in seeking to consummate the Transactions shall be considered "Sellers' Transactional Expenses" and borne by the Former Holders.

10.12 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

10.13 NO SOLICITATION OF EMPLOYEES OR AGENTS. For a period of two years from the date hereof, neither any Party hereto nor any of their respective Affiliates shall, directly or indirectly, solicit to employ any of the current officers or employees of the other Parties (or the respective Affiliates thereof) or solicit to engage any of the agents of the other Parties, so long as they remain employed by or subject to an agency agreement with the other Parties, without the other Party's written permission.

10.14 NO THIRD-PARTY BENEFICIARIES. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; PROVIDED, HOWEVER, that the provisions in Section 9.2 above concerning insurance and indemnification are intended for the benefit of the individuals specified therein and their respective legal representatives.

10.15 CONSTRUCTION. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context otherwise requires. The word "including" shall mean including without limitation.

10.16 SUPPLEMENTATION OF SCHEDULES. Any Party hereto may elect to deliver a supplement (a "SUPPLEMENT") to one or more of the Disclosure Schedules (or other disclosure schedules in the case of the Buyer and the Transitory Subsidiary), contemplated by this Agreement and previously delivered to the other Parties in accordance with the procedures set forth in

this Section 10.16. Any and all Supplements must be in writing and must be delivered to the other Parties hereto before the date that is two (2) days prior to the scheduled Effective Date (such date of delivery, the "DELIVERY DATE"). The other Parties hereto shall be given the opportunity during the two (2) business days following the Delivery Date to consider a proposed Supplement, and if such Parties do not object to the contents thereof within such period, the Schedules in question will be deemed amended by the Supplement. If the other Party or Parties object to a proposed Supplement, the

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sole remedy of such objecting Party or Parties shall be the termination of this Agreement in accordance with Section 10.1(a)(iv) hereof.

10.17 ACTIONS AND OBLIGATIONS OF THE PAYMENT AGENT. Any actions or obligations of the Payment Agent (in its capacity as such) or its Affiliates and Representatives hereunder shall be conclusively deemed to be undertaken solely for the benefit of the Former Holders and not for its personal account.

10.18 INCORPORATION OF EXHIBITS AND SCHEDULES. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

"TBC"

THE BEKINS COMPANY,  
a Delaware corporation

By /s/ Roger R. Cloutier, II

-----  
Name: Roger R. Cloutier, II  
Title: Executive Vice President

"IMR"

IMR FUND, L.P.,  
a Delaware limited partnership  
By: IMR Management Partners, L.P.,  
its general partner  
By: IMR General, Inc.

By /s/ Roger R. Cloutier, II

-----

Name: Roger R. Cloutier, II

Title: Vice President

"IMR GENERAL"

IMR GENERAL, INC.,  
a Delaware corporation

By /s/ Roger R. Cloutier, II

-----

Name: Roger R. Cloutier, II

Title: Vice President

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"TRANSITORY SUBSIDIARY"

TRASUB, INC.  
a Delaware corporation

By /s/ Michael B. Lenard

-----

Name: Michael B. Lenard

Title: President

"BUYER"

INTERNATIONAL LOGISTICS LIMITED,  
a Delaware corporation

By /s/ Michael B. Lenard

-----

Name: Michael B. Lenard

Title: President

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STOCK PURCHASE AGREEMENT  
  
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by and among

LEP INTERNATIONAL WORLDWIDE LIMITED  
as "LIW,"

LEP INTERNATIONAL HOLDINGS LIMITED  
as "Holdings One,"

LEP HOLDINGS (NORTH AMERICA) LIMITED  
as "Holdings Two,"

LEP HOLDINGS (USA) INC.  
as "Stockholder,"

and  
INTERNATIONAL LOGISTICS LIMITED  
as "Buyer"

Dated: October 31, 1996

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STOCK PURCHASE AGREEMENT

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## STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement, dated as of October 31, 1996 (this "AGREEMENT"), is by and among International Logistics Limited, a Delaware corporation ("BUYER"), LEP International Worldwide Limited, a company organized under the laws of England ("LIW"), LEP International Holdings Limited, a company organized under the laws of England ("HOLDINGS ONE"), LEP Holdings (North America) Limited, a company organized under the laws of England ("HOLDINGS TWO" and, together with LIW and Holdings One, the "PARENT COMPANIES") and LEP Holdings (USA) Inc., a Georgia corporation (the "STOCKHOLDER" and together with the Parent Companies, the "SELLERS").

#### RECITALS

A. LIW desires to sell its United States and Puerto Rico business operations, which operations in the United States and Puerto Rico are comprised entirely of LEP Profit International, Inc., a Delaware corporation (the "TARGET") and its Subsidiaries.

B. The Stockholder, an indirect subsidiary of LIW, is the owner of all of the issued and outstanding shares of capital stock of the Target and the Target is the owner of all of the issued and outstanding shares of capital stock of each of its Subsidiaries.

C. Buyer desires to purchase from the Stockholder, and the Stockholder desires to sell to Buyer, all of the issued and outstanding capital stock of the Target upon the terms and subject to the conditions of this Agreement (the "ACQUISITION").

D. In connection with the Acquisition, the parties desire to set forth certain representations, warranties and covenants made each to the other as an inducement to the consummation of the Acquisition, upon the terms and subject to the conditions contained herein.

E. In connection with the Acquisition, the Sellers are willing to indemnify Buyer, and Buyer is willing to indemnify the Sellers, against certain liabilities they may incur in connection with the Acquisition, upon the terms and subject to the conditions contained herein.

#### AGREEMENT

NOW, THEREFORE, in consideration of the respective covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

#### ARTICLE I

#### DEFINITIONS



1.1 DEFINED TERMS. As used herein, the terms set forth below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"1995 YEAR END BALANCE SHEET" shall mean the audited consolidated balance sheet of the Target and its Subsidiaries for the period ended December 31, 1995, together with the notes thereon, prepared in accordance with GAAP and previously delivered to Buyer.

"1995 YEAR END FINANCIAL STATEMENTS" shall mean the audited consolidated balance sheets of the Target and its Subsidiaries and related audited consolidated statements of operations and income, changes in stockholders' equity and cash flow of the Target and its Subsidiaries for the twelve month period ended December 31, 1995, together with notes thereon, prepared in accordance with GAAP and previously delivered to Buyer.

"ACCOUNTING FIRM" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"ACQUISITION PROPOSAL" shall have the meaning set forth in Section 7.2(a) of this Agreement.

"ACQUISITION TRANSACTION" shall have the meaning set forth in Section 7.2(a) of this Agreement.

"ACTION" shall mean any action, claim, suit, litigation, proceeding, labor dispute, arbitral action, governmental audit, inquiry, criminal prosecution, investigation or unfair labor practice charge or complaint.

"AFFILIATE" shall have the meaning set forth in the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. Without limiting the foregoing, all directors and officers of a Person that is a corporation and all managing members of a Person that is a limited liability company, shall be deemed affiliates of such Person for all purposes hereunder.

"ANCILLARY AGREEMENTS" shall mean the License Agreement, the Escrow Agreement, the InterCompany Agreement, the Option Deed, the LIW Promissory Note Release, the Warrant Instrument, the Trademark Assignment, the Software License and Technical Support Agreement, the Source Code Deposit Agreement and the Shareholders Agreement.

"ASSETS" shall mean, with respect to the Target and each of its Subsidiaries, all of the right, title and interest in and to all of the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal owned by the Target or any of its Subsidiaries or in which the Target or any of its Subsidiaries has any interest, including without limitation all of the right, title and interest of the Target and each of its Subsidiaries in the following:

- (i) all accounts and notes receivable (whether current or noncurrent), refunds, deposits, prepayments or prepaid expenses (including without limitation any prepaid insurance premiums);
- (ii) all Contract Rights;
- (iii) all shares of common stock and any other ownership interests owned by the Target or such Subsidiary;
- (iv) all tangible personal property;
- (v) all Owned Real Property;
- (vi) all Leases and Leasehold Estates;
- (vii) all Leasehold Improvements;
- (viii) all Fixtures and Equipment;
- (ix) all Books and Records;
- (x) all Proprietary Rights;
- (xi) all Insurance Policies;
- (xii) all Permits;
- (xiii) all computers and software;
- (xiv) all available supplies, sales literature, promotional literature, customer, supplier and distributor lists, art work, employee uniforms, wrapping, supply and packaging items, display units, telephone and fax numbers, purchasing records and any other items related to the Business;
- (xv) all rights under or pursuant to all warranties, representations and guarantees made by suppliers in connection with the Assets or services furnished to the Target or any of its Subsidiaries pertaining to the Business or affecting the Assets;
- (xvi) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind, against any person or entity, including without limitation any liens, security interests, pledges or other rights to payment or to enforce payment in connection with products delivered by the Target or any of its Subsidiaries on or prior to the Closing Date; and
- (xvii) all goodwill related to the Business.

"BENEFIT ARRANGEMENT" shall mean any employment, consulting, severance or other similar contract, arrangement or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including without limitation any self-insured

arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, life, health, disability or accident benefits (including without limitation any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (A) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (B) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by the Target or any of its Subsidiaries or an ERISA Affiliate or under which the Target or any of its Subsidiaries or any ERISA Affiliate may incur any Liability, and (C) covers any employee or former employee of the Target or any of its Subsidiaries or any ERISA Affiliate (with respect to their relationship with such entities).

"BOOKS AND RECORDS" shall mean (a) all records and lists of the Target and each of its Subsidiaries pertaining to the Assets, (b) all records and lists of the Target and its Subsidiaries pertaining to the Business, customers, suppliers or personnel of each of the Target and each of its Subsidiaries, (c) all product, business and marketing plans of the Target and each of its Subsidiaries, and (d) all books, ledgers, files, reports, plans, drawings and operating records of every kind maintained by the Target and each of its Subsidiaries.

"BUSINESS" shall mean the business conducted by the Target and its Subsidiaries of providing origin and destination services, freight forwarding, logistics, supply chain management, customs clearing services, transportation and distribution services in the United States and Puerto Rico, together with any ancillary services provided therewith.

"BUSINESS DAY" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in the cities of New York, New York or Atlanta, Georgia are authorized or obligated by law, regulation or executive order to remain closed.

"BUYER" shall mean International Logistics Limited, a Delaware corporation.

"BUYER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 8.3(a) of this Agreement.

"CLAIM" shall have the meaning set forth in Section 8.3(d) of this Agreement.

"CLAIM NOTICE" shall have the meaning set forth in Section 8.3(d) of this Agreement.

"CLOSING" shall have the meaning set forth in Section 3.1 of this Agreement.

"CLOSING BALANCE SHEET" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"CLOSING DATE" shall mean (a) October 31, 1996; or (b) such other date as Buyer and the Stockholder shall mutually agree upon.

"CLOSING FINANCIAL STATEMENTS" shall have the meaning set forth in Section 2.3(a) of this Agreement.

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"CLOSING FINANCIAL STATEMENTS DELIVERY DATE" shall have the meaning set forth in Section 2.3(g) of this Agreement.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 10.12(b) of this Agreement.

"CONTRACT" shall mean any agreement, contract, Lease, note, loan, evidence of indebtedness, purchase order, letter of credit, indenture, security or pledge agreement, franchise agreement, covenant not to compete, employment agreement, license, instrument, obligation, commitment, purchase and sales order, quotation or other executory commitment to which the Target or any of its Subsidiaries is a party or is bound, or to which any Assets of the Target or any of its Subsidiaries are subject, whether oral or written, express or implied.

"CONTRACT RIGHTS" shall mean all of the rights and obligations of the Target and each of its Subsidiaries under the Contracts.

"CORPORATION" shall mean (i) the Target and each of its Subsidiaries, (ii) all partnerships, joint ventures, limited liability companies, associations, joint-stock companies or trusts in which the Target or any of its Subsidiaries was at any time or is a partner, joint venturer, participant or member and (iii) all predecessor or former corporations, partnerships, joint ventures, limited liability companies, associations, joint-stock companies or trusts, whether in existence as of the date hereof or at any time prior to the date hereof, the assets or obligations of which have been acquired or assumed by the Target or any of its Subsidiaries or to which the Target or any of its

Subsidiaries has succeeded.

"COPYRIGHTS" shall mean registered copyrights, copyright applications and unregistered copyrights.

"COURT ORDER" shall mean any judgment, decision, consent decree, injunction, ruling or order of any federal, state or local court or governmental agency, department or authority that is binding on any person or its property under applicable law.

"DAMAGES" shall have the meaning set forth in Section 8.3(a) of this Agreement.

"DEFAULT" shall mean (a) a breach of or default under any Contract or Permit, (b) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of or default under any Contract or Permit, or (c) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of termination, renegotiation or acceleration under any Contract or Permit.

"DISCLOSURE SCHEDULE" shall mean a schedule executed and delivered by the Sellers to Buyer as of the date hereof which sets forth the exceptions to (i) the representations and warranties of the Sellers with respect to the Target and its Subsidiaries contained in Article IV hereof, (ii) the representations and warranties of the Sellers with respect to the Sellers contained in Article V hereof

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and (iii) certain other information called for by this Agreement. Unless otherwise specified, each reference in this Agreement to any numbered schedule is a reference to that numbered schedule which is included in the Disclosure Schedule.

"DISCONTINUED OPERATIONS" shall mean any businesses or operations, previously sold or otherwise disposed of by any of the Sellers or by the Target or any of its Subsidiaries, including but not limited to (i) the discontinued subsidiaries set forth in Schedule 1.1 hereto and (ii) the "current inactive subsidiaries of the Target" set forth in Schedule 4.2 hereto, and any ongoing indemnification obligations in connection therewith.

"DOCUMENTARY LETTER OF CREDIT" shall mean that certain Documentary Letter of Credit No. ASL-21033 issued by Shawmut Bank for the benefit of RFG Co. Ltd. in the face amount of \$33,334.34.

"DOWNWARD ADJUSTMENT" shall have the meaning set forth in Section 2.3(b) of this Agreement.

"EMPLOYEE PLANS" shall mean all Benefit Arrangements, Multiemployer

Plans, Pension Plans and Welfare Plans.

"ENCUMBRANCE" shall mean any claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, conditional sales agreement, encumbrance or other similar right of any third party, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof.

"ENVIRONMENTAL LAWS" shall mean all Regulations which regulate or relate to the protection or clean-up of the environment, the use, treatment, storage, transportation, generation, manufacture, processing, distribution, handling or disposal of, or emission, discharge or other release or threatened release of, Hazardous Substances, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources, or the health and safety of persons or property, including without limitation protection of the health and safety of employees. Environmental Laws shall include, without limitation, the Federal Insecticide, Fungicide, Rodenticide Act, Resource Conservation & Recovery Act, Clean Water Act, Safe Drinking Water Act, Occupational Safety and Health Act, Toxic Substances Control Act, Clean Air Act, Comprehensive Environmental Response, Compensation and Liability Act, Emergency Planning and Community Right-to-Know Act, Hazardous Materials Transportation Act and all analogous or related federal, state or local laws, each as amended.

"ENVIRONMENTAL CONDITIONS" shall mean the introduction into the environment of any Hazardous Substance (whether or not upon any Facility or Former Facility or other property and whether or not such pollution constituted at the time thereof a violation of any Environmental Law as a result of any Release of any kind whatsoever of any Hazardous Substance) during and in connection with the ownership, operation or occupancy of any Corporation as a result of which any Corporation has become or becomes liable to any person, or has become or becomes responsible for any environmental remediation under current Environmental Laws, or by reason of which any Facility, Former Facility or any of the Assets suffers or becomes subject to any lien under current Environmental Laws.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean any entity which is (or at any relevant time was) a member of a "controlled group of corporations" with, or under "common control" with, or a member of an "affiliated service group" with, the Target or any of its Subsidiaries, as defined in Section 414(b), (c), (m), (n) or (o) of the Code.

"ESCROW AGREEMENT" shall have the meaning set forth in Section 2.2(b) of this Agreement.

"ESCROW AMOUNT" shall have the meaning set forth in Section 2.2(b) of this Agreement.

"FACILITIES" shall mean all plants, offices, manufacturing facilities, stores, warehouses, improvements, administration buildings, and all real property and related facilities which are used or held for use in connection with the Business.

"FACILITY LEASES" shall mean all of the leases of Facilities, all of which are listed in Schedule 4.6(a) hereto.

"FINANCIAL STATEMENTS" shall mean, with respect to the Target and its Subsidiaries, (i) the monthly unaudited consolidated financial statements for each of the months beginning after the Most Recent Fiscal Quarter End through and including the month ended August 30, 1996 (the "MOST RECENT MONTH END FINANCIAL STATEMENTS"), (ii) the unaudited consolidated financial statements for the fiscal quarter ended June 30, 1996 (the "MOST RECENT FISCAL QUARTER END FINANCIAL STATEMENTS"), and (iii) the Year End Financial Statements.

"FINANCING OBLIGATIONS" shall mean (a) any indebtedness of the Target or any of its Subsidiaries for borrowed money, including without limitation the Fleet Obligation, (b) any obligations of the Target or any of its Subsidiaries evidenced by bonds, notes, debentures, letters of credit or similar instruments, (c) obligations of the Target or any of its Subsidiaries under capitalized leases, (d) obligations under conditional sale, title retention or similar agreements or arrangements creating an obligation of the Target or any of its Subsidiaries with respect to the deferred purchase price of property (other than customary trade credit), (e) interest rate and currency obligation swaps, hedges and similar arrangements of the Target and any of its Subsidiaries and (f) all obligations of the Target or any of its Subsidiaries to guarantee any of the foregoing types of obligations on behalf of others.

"FIXTURES AND EQUIPMENT" shall mean all of the furniture, fixtures, furnishings, machinery, automobiles, trucks, spare parts, supplies, equipment, tooling, molds, patterns, dies and other tangible personal property owned by the Target or any of its Subsidiaries and used, held for use or useful in connection with the Business, wherever located, and including any such Fixtures and Equipment in the possession of any suppliers of the Target or any of its Subsidiaries, together with all warranty rights with respect thereto.

"FLEET OBLIGATION" shall mean the credit facility (including any accrued interest thereon and any and all prepayment penalties and liquidated damages that would arise as a result of the prepayment or other early termination of the credit facility) from Fleet Capital Corporation, as successor to



Shawmut Capital Corporation, to LEP Profit International, Inc. secured in part by a letter of credit in the amount of \$1,000,000 provided by TBC, in favor of Fleet Capital Corporation.

"FOREIGN SUBSIDIARY" shall mean any Subsidiary organized under the laws of or with a principal place of business in any country other than the United States. For purposes of this Agreement, LEP Profit International, Inc. (Puerto Rico) shall not be deemed to be a "Foreign Subsidiary."

"FORMER FACILITY" shall mean, with respect to each Corporation, each plant, office, manufacturing facility, store, warehouse, improvement, administrative building and all real property and related facilities which was owned, leased or operated by such Corporation at any time prior to the date hereof, but excluding any Facilities.

"GAAP" shall mean generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied.

"HAZARDOUS SUBSTANCE" shall mean any pollutant, contaminant, chemical, waste and any toxic, infectious, carcinogenic, reactive, corrosive, ignitable or flammable chemical or chemical compound or hazardous substance, material or waste, whether solid, liquid or gas, that is subject to regulation, control or remediation under any Environmental Laws including, without limitation, any quantity of asbestos in any form, urea formaldehyde, PCB's, radon gas, crude oil or any fraction thereof, all forms of natural gas, petroleum products or by-products or derivatives.

"HOLDINGS ONE" shall mean LEP International Holdings Limited, a company organized under the laws of England.

"HOLDINGS TWO" shall mean LEP Holdings (North America) Limited, a company organized under the laws of England.

"HSR ACT" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INCLUDED SUBSIDIARIES" shall have the meaning set forth in Section 9.6 of this Agreement.

"INSURANCE POLICIES" shall mean the insurance policies related to the Assets or the Business.

"INTERCOMPANY AGREEMENT" shall mean the operations agreement by and between LIW, LIM, Buyer and the Target and each of its Subsidiaries, substantially in the form of Appendix A attached hereto.

"INTERCOMPANY DEFICIT" shall mean the amount, if any, as of the Closing Date, by which all sums owed by the Target or any of its Subsidiaries, to the Sellers or any of the Sellers' Subsidiaries, exceeds all sums owed by the Sellers or any of the Sellers' Subsidiaries, to the Target or any of its



Subsidiaries, as of such date (i.e., net payable that is payable by the Target and its Subsidiaries).

"INTERCOMPANY SURPLUS" shall mean the amount, if any, as of the Closing Date, by which all sums owed by the Sellers or any of the Sellers' Subsidiaries, to the Target or any of its Subsidiaries, exceeds all sums owed by the Target or any of its Subsidiaries, to the Sellers or any of the Sellers' Subsidiaries, as of such date (i.e., net receivable owed to the Target and its Subsidiaries).

"LEASED REAL PROPERTY" shall mean all leased property described in the Facility Leases.

"LEASEHOLD ESTATES" shall mean all rights and obligations of the Target and each of its Subsidiaries as lessee under the Leases.

"LEASEHOLD IMPROVEMENTS" shall mean all leasehold improvements situated in or on the Leased Real Property and owned by the Target or any of its Subsidiaries.

"LEASES" shall mean all of the existing leases with respect to the personal or real property of the Target or any of its Subsidiaries used or held for use in connection with the Business.

"LIABILITIES" shall mean any direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any person of any type, whether accrued, absolute, contingent, matured, unmatured, known, unknown or other. "LIABILITY" shall have the correlative meaning.

"LICENSE AGREEMENT" shall mean the trademark license agreement by and between Holdings One and the Target, substantially in the form of Appendix B attached hereto.

"LIW" shall mean LEP International Worldwide Limited, a company organized under the laws of England.

"LIW PROMISSORY NOTE" shall mean that certain Promissory Note, dated August 16, 1996, by LIW in favor of TBC in the principal sum of one million dollars (\$1,000,000).

"LIW PROMISSORY NOTE RELEASE" shall mean that certain Deed of Release by and between LIW and TBC pursuant to which TBC releases the obligations of LIW under the LIW Promissory Note in exchange for LIW's grant to Buyer of the Warrant Instrument, substantially in the form of Appendix C attached hereto.

"MATERIAL ADVERSE EFFECT" shall mean with respect to the Target or

any of its Subsidiaries, after giving effect to the transactions contemplated by this Agreement (except with respect to (i)(C) below), (i) a significant or substantial adverse effect or adverse change in (A) the condition (financial or otherwise) of or in the Assets of the Target and its Subsidiaries, collectively, or (B) the Business or properties, Liabilities, reserves, working capital, earnings, technology or relations with customers, public image or employees of the Target and its Subsidiaries, collectively, or (C) the right or ability of the Sellers or the Target to consummate the transactions contemplated hereby, or (ii) any event or condition, singly or in the aggregate, which would, with the passage of time, constitute a "Material Adverse Effect."

"MORTGAGES" shall mean with respect to the Target and each of its Subsidiaries, all deeds of trust, mortgages or other Encumbrances securing indebtedness and relating to any of the Owned Real Property of the Target or such Subsidiaries.

"MOST RECENT FISCAL QUARTER END" shall mean June 30, 1996.

"MOST RECENT FISCAL QUARTER END FINANCIAL STATEMENTS" shall have the meaning ascribed to it in the definition of "Financial Statements."

"MOST RECENT MONTH END FINANCIAL STATEMENTS" shall have the meaning ascribed to it in the definition of "Financial Statements."

"MULTIEMPLOYER PLAN" shall mean any Multiemployer Plan, as defined in Section 3(37) or 4001(a)(3) of ERISA, (A) which the Target or any of its Subsidiaries or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, after September 25, 1980, maintained, administered, contributed to or was required to contribute to, or under which the Target or any of its Subsidiaries or any ERISA Affiliate may incur any Liability and (B) which covers any employee or former employee of the Target or any of its Subsidiaries or any ERISA Affiliate (with respect to their relationship with such entities).

"NET WORTH DEFICIENCY" shall have the meaning set forth in Section 2.3(d) of this Agreement.

"NET WORTH SURPLUS" shall have the meaning set forth in Section 2.3(e) of this Agreement.

"NET WORTH VALUE" shall have the meaning set forth in Section 2.3(f) of this Agreement.

"NOTICE OF EXERCISE" shall have the meaning set forth in Section 7.2(b) of this Agreement.

"NOTICE OF INTENT" shall have the meaning set forth in Section 7.2(a)

of this Agreement.

"OFFERED ITEMS" shall have the meaning set forth in Section 7.2(a) of this Agreement.

"OFFER PRICE" shall have the meaning set forth in Section 7.2(a) of this Agreement.

"OPTION DEED" shall mean, collectively, the Option Deed and the Warrant Instrument, substantially in the form of Appendix D attached hereto, entered into by and among Buyer, LIW and certain managers of LIW and others pursuant to which: (a) Buyer is granted the Default Option, the Warrant Option, the First Call Option, the Second Call Option and the Third Call Option (each as defined in the Option Deed, and (b) certain managers of LIW receive the Put Option (as defined in the Option Deed).

"ORDINARY COURSE OF BUSINESS" or "ORDINARY COURSE" or any similar phrase when used with respect to the Target or any of its Subsidiaries shall mean with respect to the Target and each such Subsidiary the ordinary course of the Business and consistent with the past practices of the Target and each such Subsidiary.

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"OVERLAP PERIOD" shall have the meaning set forth in Section 9.1 of this Agreement.

"OWNED REAL PROPERTY" shall mean all real property owned in fee by the Target and any of its Subsidiaries, including without limitation all rights, easements and privileges appertaining or relating thereto, all buildings, fixtures, and improvements located thereon and all Facilities thereon, if any.

"PARENT COMPANIES" shall mean, collectively, LIW, Holdings One and Holdings Two.

"PATENTS" shall mean all patents and patent applications and registered designs and registered design applications.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"PENSION PLAN" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) (A) which the Target or any of its Subsidiaries or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or, within the five years prior to the Closing Date, maintained, administered, contributed to or was required to contribute to, or under which the Target or any of its Subsidiaries or any ERISA Affiliate may incur any Liability and (B) which covers any employee or former employee of the Target or any of its Subsidiaries or any ERISA Affiliate (with respect to their relationship with such entities).

"PERMITTED ENCUMBRANCES" shall mean the Encumbrances listed on Schedule 1.3 hereto and other Encumbrances which, individually and in the aggregate, do not materially detract from the value or transferability of the property or Assets subject thereto, or interfere in any material respect with the present use of the properties or Assets subject thereto.

"PERMITS" shall mean all licenses, permits, franchises, authorizations, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state or local, or any other person, necessary for the conduct or operations of the Business.

"PERSON" shall mean an individual, partnership, corporation, limited liability company, joint venture, trust, association or unincorporated organization or a government or agency or political subdivision thereof.

"PERSONNEL" shall have the meaning set forth in Section 4.4(b) (i) of this Agreement.

"POST-CLOSING PERIOD" shall have the meaning set forth in Section 9.2 of this Agreement.

"PRE-CLOSING ENVIRONMENTAL MATTERS" shall mean (a) the production, use, generation, storage, treatment, recycling, disposal, discharge, release, or other handling or disposition at any time on or prior to the Closing Date (collectively "HANDLING") of any Hazardous Substance, either in, on, under or from any Facility or Former Facility during and in connection with the ownership, operation or occupancy of any Corporation, including, without limitation, the effects of such Handling of Hazardous Substances which result in an Environmental Condition, and (b) the failure on or prior to the Closing Date of any Facility or Former Facility during the ownership, operation or occupancy of any Corporation to be in compliance with any applicable Environmental Law or the failure on or prior to

the Closing Date of any operation of any Corporation to be in compliance with any applicable Environmental Laws or to have discharged liability for any past non-compliance.

"PRE-CLOSING PERIODS" shall have the meaning set forth in Section 9.1 of this Agreement.

"PROPRIETARY RIGHTS" shall mean all of the Copyrights, Patents, Trademarks, technology rights and licenses, computer software (including without limitation any source or object codes therefor or documentation relating thereto), trade secrets, franchises, know-how, inventions, designs, specifications, plans, drawings and intellectual property rights of the Target and each of its Subsidiaries.

"PURCHASE PRICE" shall have the meaning set forth in Section 2.2(a) of this Agreement.

"REGULATIONS" shall mean any laws, statutes, ordinances, regulations, rules, court decisions and orders of any foreign, federal, state or local government and any other governmental department or agency, including without limitation Environmental Laws, energy, motor vehicle safety, public utility, zoning, building and health codes, occupational safety and health and laws respecting employment practices, employee documentation, terms and conditions of employment and wages and hours.

"RELEASE" shall mean and include any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, leaching, dumping or disposing into the environment or the workplace of any Hazardous Substance.

"RELEVANT TERMS" shall have the meaning set forth in Section 7.2(a) of this Agreement.

"REPRESENTATIVE" shall mean any officer, director, principal, attorney, agent, employee or other representative.

"S AGENT" shall mean any sales agent of the Target or any of its Subsidiaries.

"SELLER MATERIAL ADVERSE EFFECT" shall mean with respect to the Sellers and each of the Sellers' Subsidiaries, after giving effect to the transactions contemplated hereby (except with respect to (i)(C) below), (i) a significant or substantial adverse effect or adverse change in (A) the condition (financial or otherwise) of or in the assets of (a) the Sellers and the Sellers' Subsidiaries, collectively, or (b) the Target and its Subsidiaries, collectively, or (B) the business or properties, Liabilities, reserves, working capital, earnings, technology or relations with customers, public image or employees of (a) the Sellers and the Sellers' Subsidiaries, collectively, or (b) the Target and its Subsidiaries, collectively, or (C) the right or ability of the Sellers or the Target to consummate the transactions contemplated hereby, or (ii) any event or condition, singly or in the aggregate, which would, with the passage of time, constitute a "Seller Material Adverse Effect."

"SELLERS" shall mean, collectively, the Stockholder and the Parent Companies.

"SELLERS INDEMNIFIED PARTIES" shall have the meaning set forth in section 8.3(b) of this Agreement.

"SELLERS' SUBSIDIARY" shall mean (a) any corporation in an unbroken chain of corporations beginning with LIW if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing more than 50% of the total combined voting power of all classes of stock in one of the

other corporations in such chain, (b) any partnership in which LIW or any of the Sellers' Subsidiaries is a general partner and any limited liability company in which LIW or any of the Sellers' Subsidiaries is a managing member, or (c) any partnership or limited liability company in which LIW or any of the Sellers' Subsidiaries possesses more than a 50% interest in the total capital or total income of such partnership or limited liability company. For the purposes of this Agreement, "Sellers' Subsidiaries" shall be deemed to exclude the Target and its Subsidiaries.

"SELLERS' ACCOUNTANT" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"SHAREHOLDERS AGREEMENT" shall mean that Shareholders' Agreement by and among Buyer, certain managers of LIW and others, substantially in the form of Appendix I, attached hereto.

"SOFTWARE LICENSE AND TECHNICAL SUPPORT AGREEMENT" shall mean that agreement by and between LEP International Management Limited, an English company ("LIM") and the Target, substantially in the form of Appendix G, attached hereto.

"SOURCE CODE DEPOSIT AGREEMENT" shall mean that agreement by and between LIM and the Target, substantially in the form of Appendix H, attached hereto.

"STOCKHOLDER" shall mean LEP Holdings (USA) Inc., a Georgia corporation.

"SUBSIDIARY" shall mean (a) any corporation in an unbroken chain of corporations beginning with the Target if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing more than 50% of the total combined voting power of all classes of stock in one of the other corporations in such chain, (b) any partnership in which the Target or any of its Subsidiaries is a general partner and any limited liability company in which the Target or any of its Subsidiaries is a managing member, or (c) any partnership or limited liability company in which the Target or any of its Subsidiaries possesses more than a 50% interest in the total capital or total income of such partnership or limited liability company.

"TAX" shall mean any federal, state, local or foreign net or gross income, gross receipts, license, payroll, employment, excise, severance, stamp, business, occupation, premium (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, payroll, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, levy, impost, governmental fee or like assessment or charge of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not, imposed by any governmental authority or arising under any tax law or agreement, including, without limitation, any joint venture or partnership agreement.

"TBC" shall mean The Bekins Company, a Delaware corporation.

"TRADEMARKS" shall mean registered trademarks, registered service marks, trademark and service mark applications and unregistered trademarks and service marks.

"TRADEMARK ASSIGNMENT" shall mean the trademark assignment by the Target to Holdings One with respect to the "LEP" trademark, substantially in the form of Appendix E attached hereto.

"UPWARD ADJUSTMENT" shall have the meaning set forth in Section 2.3(c) of this Agreement.

"WARRANT INSTRUMENT" shall mean that certain warrant issued by LIW to the Buyer granting the right to exercise such warrant and receive 419,900 shares of ordinary stock of LIW at no additional cost, substantially in the form of Appendix J attached hereto.

"WARRANTS" shall mean (a) agreements, rights to subscribe (including any preemptive rights), options, warrants, calls, commitments or rights of any character to purchase or otherwise acquire any common stock or other securities of LIW, and (b) outstanding securities of LIW that are convertible into or exchangeable for capital stock or other securities of LIW.

"WELFARE PLAN" shall mean any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, (A) which the Target or any of its Subsidiaries or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to, or under which the Target or any of its Subsidiaries or any ERISA Affiliate may incur any Liability and (B) which covers any employee or former employee of the Target or any of its Subsidiaries or any ERISA Affiliate (with respect to their relationship with such entities).

## ARTICLE II

### PURCHASE AND SALE OF STOCK

2.1 TRANSFER OF STOCK. Upon the terms and subject to the conditions contained herein, at the Closing, the Stockholder shall sell, convey, transfer, assign and deliver to Buyer, and Buyer shall purchase from the Stockholder, all of the outstanding shares of capital stock of the Target as set forth in Schedule 2.1 of this Agreement.

#### 2.2 PURCHASE PRICE.

(a) PURCHASE PRICE. At the Closing, upon the terms and subject to the conditions set forth herein, in consideration for the transfer of all the shares of capital stock of the Target pursuant to Section 2.1 of this Agreement,



the Stockholder shall be entitled to receive and the Buyer shall be obligated to pay four million five hundred thousand dollars (\$4,500,000) in cash (the "PURCHASE PRICE"). Buyer shall pay the Purchase Price, less the Escrow Amount (as defined below), by wire transfer of immediately available funds to an account designated by the Stockholder.

(b) ESCROW AGREEMENT. In order to establish a procedure for the satisfaction of any claims by any Buyer Indemnified Party for indemnification pursuant to Section 8.3 or Article IX hereof, the Sellers shall enter into an escrow agreement with Buyer and the Escrow Agent, substantially in the

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form of Appendix F attached hereto (the "ESCROW AGREEMENT"), pursuant to which seven-hundred and fifty thousand dollars (\$750,000) of the Purchase Price shall be held in escrow until the first anniversary of the Closing Date, subject to the terms of the Escrow Agreement. Pursuant to the Escrow Agreement, the Sellers hereby direct Buyer to deliver to the Escrow Agent (as such term is defined in the Escrow Agreement), and at the Closing Buyer shall wire to the Escrow Agent in immediately available funds, an aggregate of seven-hundred and fifty thousand dollars (\$750,000) in cash out of the aggregate amount of the Purchase Price (the "ESCROW AMOUNT"). The respective indemnification obligations of the Sellers hereunder shall not be limited to the Escrow Amount.

### 2.3 POST-CLOSING ADJUSTMENT.

(a) CLOSING BALANCE SHEET. Schedule 2.3 of the Disclosure Schedule sets forth a calculation of the actual cash paid to the Sellers at Closing and the estimated Net Worth Value. As promptly as practicable after the Closing Date (but in no event more than ninety (90) days after the Closing Date), Buyer will cause the Target to prepare and deliver to the Sellers consolidated combined financial statements of the Target and its Subsidiaries as of the close of business on the day immediately preceding the Closing Date (the "CLOSING FINANCIAL STATEMENTS"). The Closing Financial Statements shall be accompanied by a certificate of the Chief Financial Officer of the Target to the effect that the Closing Financial Statements present fairly, in accordance with GAAP and the accounting practices of the Target and its Subsidiaries applied on a basis consistent with the Financial Statements except with respect to those changes set forth on Schedule 4.10, the financial condition of the Target and its Subsidiaries as of the close of business on the day immediately preceding the Closing Date. The balance sheet contained in the Closing Financial Statements shall be referred to herein as the "CLOSING BALANCE SHEET." The Closing Financial Statements will be prepared in accordance with GAAP, applied on a basis consistent with the 1995 Year End Financial Statements, except with respect to certain agreed changes in accounting policies as set forth in Schedule 4.10 attached hereto and incorporated herein by this reference. The Closing Balance Sheet shall be accompanied by reasonably detailed schedules, including a calculation of the Net Worth Value. The Sellers and a firm of independent public accountants designated by the Sellers (the "SELLERS"



ACCOUNTANT") will be entitled to reasonable access during normal business hours to the relevant records and working papers of the Target and its Subsidiaries to aid in their review of the Closing Financial Statements. The Closing Financial Statements shall be deemed to be accepted by the Sellers and shall be conclusive for the purposes of the adjustment described in Sections 2.3(b) and 2.3(c) hereof except to the extent, if any, that the Sellers or the Sellers' Accountant shall have delivered, within thirty (30) days after the date on which the Closing Financial Statements are delivered to the Sellers, a written notice to Buyer stating each and every item to which the Sellers take exception, specifying in reasonable detail the nature and extent of any such exception (it being understood that any amounts not disputed as provided herein shall be paid promptly). If a change proposed by the Sellers is disputed by Buyer, then Buyer and the Sellers shall negotiate in good faith to resolve such dispute. If, after a period of twenty (20) days following the date on which the Sellers give Buyer notice of any such proposed change, any such proposed change still remains disputed, then Buyer and the Sellers hereby agree that Ernst & Young, LLP (the "ACCOUNTING FIRM") shall resolve any remaining disputes. The Accounting Firm shall act as an arbitrator to determine, based solely on presentations by the Sellers and Buyer, and not by independent review, only those issues still in dispute. The decision of the Accounting Firm shall be final and binding and shall be in accordance with the provisions of this Section 2.3(a). The fees and expenses of the Accounting Firm, if any, shall be paid equally by Buyer and the Stockholder; PROVIDED, HOWEVER, that, if the

Accounting Firm determines that either party's position is totally correct, then the other party shall pay one hundred percent (100%) of the costs and expenses incurred by the Accounting Firm in connection with any such determination.

(b) In the event that there is a Net Worth Deficiency (as defined below) with respect to the Target and its Subsidiaries, the Sellers shall pay to Buyer, as an adjustment to the Purchase Price, an amount equal to (i) the Net Worth Deficiency, (ii) plus the amount of the InterCompany Surplus, if any, (iii) minus the amount of the InterCompany Deficit, if any (the "DOWNWARD ADJUSTMENT"); PROVIDED, HOWEVER, if the Downward Adjustment is a negative number, then Buyer shall pay to the Stockholder an amount equal to (i) the InterCompany Deficit minus (ii) the Net Worth Deficiency. Any payments required to be made by the Sellers pursuant to this Section 2.3(b) or pursuant to Section 2.3(c) shall be made within ten (10) days of the Closing Financial Statements Delivery Date (as defined below) by wire transfer of immediately available funds to an account designated by Buyer.

(c) In the event that there is a Net Worth Surplus (as defined below) with respect to the Target and its Subsidiaries, Buyer shall pay to the Stockholder, as an adjustment to the Purchase Price, an amount equal to (i) the Net Worth Surplus, (ii) plus the amount of the InterCompany Deficit, if any, (iii) minus the amount of the InterCompany Surplus, if any (the "UPWARD ADJUSTMENT"); PROVIDED, HOWEVER, that If the Upward Adjustment is a negative

number, then the Sellers shall pay to Buyer an amount equal to (i) the InterCompany Surplus minus (ii) the Net Worth Surplus. Any payments required to be made by Buyer pursuant to this Section 2.3(c) or pursuant to Section 2.3(b) shall be made within ten (10) days of the Closing Financial Statements Delivery Date by wire transfer of immediately available funds to an account designated by the Stockholder.

(d) The term "NET WORTH DEFICIENCY" shall mean, with respect to the Target and its Subsidiaries, the amount, if any, by which the Net Worth Value is a deficit greater than three million five hundred thousand dollars (- \$3,500,000).

(e) The term "NET WORTH SURPLUS" shall mean, with respect to the Target and its Subsidiaries, the amount, if any, by which the Net Worth Value is greater than a deficit of three million five hundred thousand dollars (- \$3,500,000).

(f) The term "NET WORTH VALUE" shall mean, with respect to the Target and its Subsidiaries, the (i) net amount of the Assets, (ii) less the value of the Liabilities (including but not limited to the Financing Obligations exclusive of the face amount of the Documentary Letter of Credit) as set forth on the Closing Balance Sheet; PROVIDED, HOWEVER, that if any change to the Closing Financial Statements is agreed to by the Target and the Stockholder in accordance with Section 2.3(a), or any dispute between the Target and the Stockholder with respect to the Closing Financial Statements is resolved in accordance with Section 2.3(a), then "NET WORTH VALUE" shall be calculated after giving effect to any such change or resolution.

(g) The term "CLOSING FINANCIAL STATEMENTS DELIVERY DATE" shall mean the date on which the Closing Financial Statements are delivered pursuant to Section 2.3(a); PROVIDED, HOWEVER, that if the Sellers take exception to any item in the Closing Financial Statements, the Closing Financial Statements Delivery Date shall be the date on which the Target and the Stockholder agree in writing to any change

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as provided in Section 2.3(a) or the date on which the Accounting Firm delivers its decision with respect to such dispute as provided in Section 2.3(a).

2.4 INTERCOMPANY RECEIVABLES AND PAYABLES. On the Closing Financial Statements Delivery Date, all intercompany payables and receivables, between the Target and its Subsidiaries on the one hand, and the Sellers and the Sellers' Subsidiaries on the other hand, shall be settled and liquidated in the manner set forth in Sections 2.3(b) and 2.3(c) of this Agreement.

### ARTICLE III

## CLOSING

3.1 CLOSING. Upon the terms and subject to the conditions set forth herein, the closing of the transactions contemplated herein (the "CLOSING") shall be held at 9:00 a.m. local time on the Closing Date at the offices of Latham & Watkins, Sears Tower, Suite 5800, 233 South Wacker Drive, Chicago, IL 60606, unless the parties hereto otherwise agree.

### 3.2 DELIVERIES AT CLOSING.

(a) STOCK CERTIFICATES. To effect the Acquisition, the Stockholder shall, on the Closing Date, deliver to Buyer certificates(s) evidencing all of the capital stock of the Target, free and clear of any Encumbrances of any nature whatsoever, duly endorsed in blank for transfer or accompanied by stock powers duly executed in blank.

(b) BUYER CERTIFICATES. To effect the Acquisition, Buyer will furnish the Sellers with such certificates of its officers and others as may be reasonably requested by the Sellers, which certificates shall include, but not be limited to:

(i) a certificate executed by the Secretary or an Assistant Secretary of Buyer certifying as of the Closing Date (A) a true and complete copy of the Certificate of Incorporation of Buyer, (B) a true and complete copy of the Bylaws of Buyer, (C) a true and complete copy of the resolutions of the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby and thereby, and (iv) incumbency matters;

(ii) a copy of the Certificate of Incorporation of Buyer and all amendments thereto, certified as of a recent date by the Secretary of State of Delaware; and

(iii) a certificate of the Secretary of State of Delaware certifying the good standing of Buyer in its state of incorporation.

(c) OPINION OF BUYER'S COUNSEL. At the Closing, Buyer shall deliver to the Stockholder an opinion of Latham & Watkins, counsel to Buyer, dated as of the Closing Date, in form and substance reasonably satisfactory to the parties and customary in transactions of the type contemplated by this Agreement.

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(d) SELLER CERTIFICATES. To effect the Acquisition, the Sellers shall and shall cause the Target to furnish the Buyer with such certificates of its officers and others as may be reasonably requested by the Buyer, which certificates shall include, but not be limited to:

(i) a certificate executed by the Secretary or an Assistant Secretary of each of the Sellers and of the Target and each of its Subsidiaries

certifying as of the Closing Date (A) a true and complete copy of the Articles or Certificate of Incorporation (or such other comparable organizational documents) of each of the Sellers and of the Target and each such Subsidiary, (B) a true and complete copy of the Bylaws of each of the Sellers and of the Target and each such Subsidiary, (C) incumbency matters and (D) with respect to each of the Sellers, (1) a true and correct copy of the resolutions of the board of directors of such Seller authorizing the execution, delivery and performance of this Agreement by such Seller and the consummation of the transactions contemplated hereby, and (2) approval and adoption of this Agreement by any requisite vote or consent of the shareholders of such Seller;

(ii) a copy of the Articles or Certificate of Incorporation (or such other comparable organizational documents) of each of the Sellers and of the Target and each of its Subsidiaries and all amendments thereto, certified as of a recent date by the appropriate Secretary of State or such other appropriate authority; and

(iii) a certificate of the appropriate Secretary of State certifying the good standing of the Target and each of its Subsidiaries in its state of incorporation and all states in which it is qualified to do business.

(e) OPINION OF SELLERS' COUNSEL. The Sellers shall deliver to Buyer an opinion of Troutman Sanders LLP, special counsel to the Sellers, and, to the extent reasonably requested by Buyer, local counsel (including but not limited to New York counsel with respect to enforceability), dated as of the Closing Date, in form and substance reasonably satisfactory to the parties and customary in transactions of the type contemplated by this Agreement.

### 3.3 OTHER CLOSING TRANSACTIONS.

(a) PAYMENT OF PURCHASE PRICE. At the Closing, Buyer shall deliver to the Stockholder the Purchase Price as provided in Section 2.2.

(b) INTERCOMPANY AGREEMENT. At the Closing, the Buyer, LIW, LIM and the Target and its Subsidiaries shall enter into the Intercompany Agreement substantially in the form of Appendix A attached hereto.

(c) LICENSE AGREEMENT. At the Closing, the Target and Holdings One shall enter into the License Agreement substantially in the form of Appendix B attached hereto.

(d) LIW PROMISSORY NOTE RELEASE. At the Closing, TBC and LIW shall enter into the LIW Promissory Note Release substantially in the form of Appendix C attached hereto.

(e) OPTION DEED. At the Closing, the Buyer and certain managers of LIW and others shall enter into the Option Deed substantially in the form of Appendix D attached hereto.

(f) TRADEMARK ASSIGNMENT. At the Closing, the Target shall deliver the Trademark Assignment, substantially in the form of Appendix E attached hereto, to Holdings One.

(g) ESCROW AGREEMENT. At the Closing, the Sellers shall enter into the Escrow Agreement with Buyer and the Escrow Agent substantially in the form of Appendix F attached hereto and Buyer shall deposit the Escrow Amount into escrow thereunder contemplated by Section 2.2(b).

(h) SOFTWARE LICENSE AND TECHNICAL SUPPORT AGREEMENT. At the Closing, the Target and LIM shall enter into the Software License and Technical Support Agreement, substantially in the form of Appendix G attached hereto.

(i) SOURCE CODE DEPOSIT AGREEMENT. At the Closing, the Target and LIM shall enter into the Source Code Deposit Agreement, substantially in the form of Appendix H hereto.

(j) SHAREHOLDERS AGREEMENT. At the Closing, Buyer and certain managers of LIW and others shall enter into the Shareholders Agreement, substantially in the form of Appendix I attached hereto.

(k) WARRANT INSTRUMENT. At the Closing, LIW shall execute the Warrant Instrument, substantially in the form of Appendix J hereto.

(l) PAYMENT OF FLEET OBLIGATION. Concurrently with the Closing, Buyer shall cause the Target to retire the aggregate amount of the Fleet Obligation.

(m) NONFOREIGN AFFIDAVIT. At the Closing, the Stockholder shall furnish Buyer an affidavit, stating, under penalty of perjury, such transferor's United States taxpayer identification number and that such transferor is not a foreign person, pursuant to Section 1445(b)(2) of the Code.

(n) HOULIHAN LOKEY OPINION. At the Closing, LIW and Buyer shall be furnished with an opinion from Houlihan, Lokey, Howard & Zukin, Inc. stating that the Purchase Price (plus the amount of the Financing Obligations being assumed or retired by Buyer as set forth herein) is at least equal to the fair value of the aggregate assets of the Target and its Subsidiaries, with fair value being defined as the amount at which the aggregate assets of the Target and its Subsidiaries would change hands between a willing Buyer and a willing Seller, each having reasonable knowledge of the relevant facts, neither being under any compulsion to act, with equity to both. The costs of such opinion shall be paid by Buyer.

#### ARTICLE IV

#### REPRESENTATIONS AND WARRANTIES OF THE SELLERS WITH RESPECT TO THE TARGET AND ITS SUBSIDIARIES

The Sellers hereby, jointly and severally, represent and warrant to Buyer as follows (except as otherwise set forth in the numbered section of the Disclosure Schedule corresponding to the Sections of

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this Article to which such exception pertains), which representations and warranties are, as of the date hereof, true and correct:

4.1 ORGANIZATION OF THE TARGET AND EACH OF ITS SUBSIDIARIES. (a) The Target and each of its active Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation with full power and authority to conduct the Business as it is presently being conducted and to own and lease its properties and Assets. The Target and each of its Subsidiaries is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which such qualification is necessary under the applicable law as a result of the conduct of the Business or ownership (or leasing) of its properties, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Copies of the Certificates or Articles of Incorporation and Bylaws of the Target and each of its Subsidiaries, and all amendments thereto, heretofore delivered to Buyer are accurate and complete as of the date hereof. Schedule 4.1(a) contains a true, correct and complete list of all jurisdictions in which the Target and each of its Subsidiaries is qualified to do business as a foreign corporation.

(b) The authorized, issued and outstanding shares of capital stock of the Target and each of its Subsidiaries are set forth in Schedule 4.1(b) hereto. All of the outstanding shares of capital stock of the Target and each of its Subsidiaries are duly authorized, validly issued, fully paid and non-assessable. Except as set forth in Schedule 4.1(b), the Stockholder has good and valid title to all of the issued and outstanding shares of capital stock of the Target free and clear of all Encumbrances with full right, power and authority to transfer such shares to Buyer subject to securing the consents set forth in Schedule 4.1(b) hereof. Except as set forth in Schedule 4.1(b), the Target owns all of the issued and outstanding shares of capital stock of each of its Subsidiaries. Except as set forth in Schedule 4.1(b), there are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) the Target or any of its Subsidiaries or any securities convertible into or exchangeable for shares of capital stock or other securities issued by (or other ownership interests in) the Target or any of its Subsidiaries or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) the Target or any of its Subsidiaries. Upon delivery to Buyer and the payment in full of the Fleet Obligation, the capital stock of the Target and its Subsidiaries will be free and clear of all Encumbrances and shall be duly authorized, validly issued, fully paid and non-assessable.



4.2 SUBSIDIARIES. Except as set forth in Schedule 4.2, the Target (a) does not have any Subsidiaries nor (b) any direct or indirect stock or other ownership interest (whether controlling or not) in any Person.

4.3 AUTHORIZATION. The Target and each of its Subsidiaries have all requisite corporate power and authority, and have taken all corporate action necessary, to own, lease and operate their respective Assets and to conduct the Business as it is presently being conducted. The Target has all requisite power and authority, and has taken all action necessary, to execute and deliver the Ancillary Agreements to which it is a party, to consummate the transactions contemplated thereby and to perform its obligations thereunder. The execution and delivery by the Target of the Ancillary Agreements to which it is a party and the consummation by the Target of the transactions contemplated thereby have been duly approved by the board of directors and, to the extent required under applicable corporate

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laws, shareholders of the Target. No other proceedings or actions on the part of the Target are necessary to authorize the Ancillary Agreements to which it is a party and the transactions contemplated hereby and thereby. Each of the Ancillary Agreements to which it is a party have been duly executed and delivered by the Target, and each such agreement is a legal, valid and binding obligation of the Target, enforceable against the Target in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and (ii) general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

4.4 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Schedule 4.4:

(a) since June 30, 1996, there has not been any actual or, to the knowledge of the Sellers, threatened change in the Assets or the Business, or the Liabilities, earnings, results of operations or financial condition of the Target or any of its Subsidiaries that would have a Material Adverse Effect;

(b) since June 30, 1996, there has not been (i) except for normal periodic increases in the ordinary course of business or pursuant to the collective bargaining agreements to which the Target or any of its Subsidiaries are a party as set forth in Schedule 4.13, any increase in the compensation payable or to become payable by the Target or any of its Subsidiaries to any of its current or former officers, employees, or agents (collectively, "PERSONNEL"), (ii) any grant, payment or accrual, contingent or otherwise, for or to the credit of any of the Personnel with respect to any bonus, incentive compensation, service award or other like benefit other than in the ordinary course of business, (iii) any adoption, creation or amendment of any Employee Plan of the Target or any of its Subsidiaries, (iv) any written employment agreement made by the Target or any of its Subsidiaries to which the Target or any of its Subsidiaries is a party or (v) any other material change in

employment terms for any officers, employees or agents of the Target or any of its Subsidiaries other than in the ordinary course of business;

(c) since December 31, 1995, there has not been any sale, lease, assignment or transfer of any of the Assets, other than to persons that are not affiliates for fair consideration and in the ordinary course of business;

(d) since June 30, 1996, there has not been any cancellation of any indebtedness or waiver or release of any right or claim of the Target or any of its Subsidiaries relating to its activities or properties in connection with the Assets or the Business, except where such cancellation, release or waiver would not, individually or in the aggregate, have a Material Adverse Effect;

(e) since June 30, 1996, there has not been any amendment, cancellation or termination of any Contract, commitment, agreement, transaction or Permit relating to the Assets or the Business or entry into any Contract, commitment, agreement, Lease, transaction or Permit which, in each case, is not in the ordinary course of business;

(f) since June 30, 1996, there has not been any damage, destruction or loss of Assets (whether or not covered by insurance) which would have a Material Adverse Effect.

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(g) since June 30, 1996, there has not been any change in employee relations which has or would have a Material Adverse Effect;

(h) since December 31, 1995, there has not been any change in accounting methods, principles or practices by the Target or any of its Subsidiaries;

(i) since June 30, 1996, there has not been any revaluation of any of the Assets of the Target or any of its Subsidiaries, including without limitation writing down the value of inventory or writing off notes or accounts receivable except in the ordinary course of business, except for such revaluation of Assets which would not have, either individually or in the aggregate, a Material Adverse Effect;

(j) since June 30, 1996, except for certain pledges to TBC, there has not been any mortgage, pledge or other Encumbrance of any Assets, except Permitted Encumbrances;

(k) since December 31, 1995, except for the Fleet Obligation and certain indebtedness to TBC, there has not been any incurrence of indebtedness by the Target or any of its Subsidiaries for borrowed money or commitment to borrow money entered into by the Target or any of its Subsidiaries, or any loans made or agreed to be made by the Target or any of its Subsidiaries, or indebtedness guaranteed by the Target or any of its



Subsidiaries, in excess of \$100,000 (exclusive of freight costs and customs duties) for any single item (or series of similar items with the same party or parties);

(l) since December 31, 1995, there has not been any incurrence, payment, discharge or satisfaction by the Target or any of its Subsidiaries of Liabilities, except Liabilities incurred, paid, discharged or satisfied in the ordinary course of business and not in excess of \$100,000 (exclusive of freight costs and customs duties) for any single item (or series of similar items with the same party or parties);

(m) since December 31, 1995, there has not been any capital expenditure or the execution of any Lease or Contract (or series of related Leases or Contracts) or any incurring of liability therefor, in each case by the Target and its Subsidiaries (i) involving affiliates of the Target or any of its Subsidiaries, (ii) involving payments, individually or, for a series of related Contracts involving payments to or from the same party or parties, in the aggregate, in excess of \$100,000, or (iii) outside of the ordinary course of business;

(n) since June 30, 1996, there has not been any failure to pay or satisfy when due any Liability of the Target and its Subsidiaries, except where the failure would not have a Material Adverse Effect;

(o) since June 30, 1996, there has not been any failure of the Target or any of its Subsidiaries to carry on diligently (given the financial condition of the Target and its Subsidiaries) the Business in the ordinary course;

(p) since December 31, 1995, other than pursuant to this Agreement, there has not been any issuance of any shares of capital stock of the Target or any of its Subsidiaries or any rights or

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options to purchase any such shares, payment of dividends in cash or otherwise or any other distribution on account of the capital stock of the Target and any of its Subsidiaries;

(q) since June 30, 1996, there has not been any acceleration of the payment by the Target or any of its Subsidiaries of any accounts payable to LIW and/or any affiliate of LIW outside of the normal MCS terms (as such terms are defined in the Intercompany Agreement);

(r) to the knowledge of the Sellers, since June 30, 1996, there has not occurred any other event or condition which in any one case or in the aggregate would have a Material Adverse Effect;

(s) agreement by any Seller or the Target or any of its Subsidiaries to do any of the things described in the preceding clauses (a)

through (r) other than as expressly provided for herein.

4.5 TITLE TO ASSETS. Schedule 4.5 contains accurate lists or summary descriptions of categories of all tangible Assets owned or leased by the Target and any of its Subsidiaries where the value of an individual item exceeds \$50,000 at current book value or where an aggregate of similar items exceeds \$100,000 at current book value. Except as set forth in Schedule 4.5, the Target and each of its Subsidiaries owns or has the right to use its respective Assets free and clear of any Encumbrances, except for Encumbrances specifically identified in Schedule 4.5 and Permitted Encumbrances. The Assets include without limitation all assets necessary for the conduct of the Business. All tangible assets and properties which are part of the Assets conform in all respects to all applicable Regulations (including Environmental Laws) relating to their construction, use and operation except where the failure to conform would not have a Material Adverse Effect.

#### 4.6 FACILITIES.

(a) FACILITIES. Neither the Target nor any of its Subsidiaries owns any Owned Real Property. Schedule 4.6(a) also contains a complete and accurate description of the following terms of all Facility Leases of the Target and any of its Subsidiaries: (i) a general description of the leased property or items, (ii) the term, (iii) the applicable rent and (iv) any requirements for the consent of third parties to assignments thereof or to the change of control or ownership of The Target. To the knowledge of the Sellers, all Facility Leases of the Target and any of its Subsidiaries are valid, binding and enforceable in accordance with their terms and, to the knowledge of the Sellers, are in full force and effect; except as set forth in Schedule 4.6, no event exists which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a Default thereunder on the part of the Target or any of its Subsidiaries which would terminate or cause a material Liability under any Facility Leases; and, to the knowledge of the Sellers, there exists no occurrence of any event which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a Default thereunder by any other party.

(b) ACTIONS. There are no pending condemnation proceedings, administrative proceeding or other Actions against the Target or any of its Subsidiaries with respect to any of the Facility Leases, or to the knowledge of the Sellers, pending or threatened condemnation proceedings, administrative proceedings or other Actions otherwise with respect to any of the Facility Leases.

(c) LEASES OR OTHER AGREEMENTS. Except for Facility Leases listed in Schedule 4.6, there are no leases, subleases, licenses, occupancy agreements, options, rights, concessions or other agreements or arrangements with respect to real property, written or oral, involving, individually or in the aggregate, the payment of \$50,000 or more to or by the Target or any of its Subsidiaries during

any twelve-month period and granting to any Person the right to purchase, use or occupy any Facility or any real property.

(d) FACILITY LEASES AND LEASED REAL PROPERTY. With respect to each Facility Lease, the Target and each of its Subsidiaries that is a party to such Facility Lease has an interest in the Leasehold Estate, subject only to Permitted Encumbrances and those Encumbrances set forth in Schedule 4.6(d). Except as set forth in Schedule 4.6, the Target and each of its Subsidiaries enjoys peaceful and undisturbed possession of all the Leased Real Property it leases, subject to the rights of the fee owners and the terms of the Facility Leases, and the Target and each of its Subsidiaries has performed all the obligations required to be performed by it through the date hereof, except where the failure to perform would not, either individually or in the aggregate, have a Material Adverse Effect.

(e) CERTIFICATE OF OCCUPANCY. To the knowledge of the Sellers, all Facilities have received all required approvals of governmental authorities (including without limitation Permits and a certificate of occupancy or other similar certificate permitting lawful occupancy of the Facilities) required in connection with the operation thereof and have been operated and maintained in all respects in accordance with applicable Regulations, except where the failure to receive such approvals or comply with any such Regulation would not have a Material Adverse Effect.

(f) UTILITIES. All Facilities are supplied with utilities (including without limitation water, sewage, disposal, electricity, gas and telephone) and other services necessary for the operation of such Facilities as currently operated, and, to the knowledge of the Sellers, there is no condition which would result in the termination of the present access from any Facility to such utility services.

(g) IMPROVEMENTS, FIXTURES AND EQUIPMENT. The improvements constructed on the Facilities, including without limitation all Leasehold Improvements are (i) insured to the extent and in a manner customary in the industry, (ii) to the knowledge of the Sellers, structurally sound with no material defects, (iii) in good operating condition and repair, subject to ordinary wear and tear, (iv) to the knowledge of the Sellers, sufficient for the operation of the Business as presently conducted and (v) in conformity with all applicable Regulations, except where the failure to be insured, structurally sound, in good operating condition and repair or to conform with any such Regulation would not have a Material Adverse Effect. None of the improvements is subject to any commitment or other arrangement for their sale or use by any affiliate of the Target or any of its Subsidiaries or, to the knowledge of the Sellers, any third party that would materially interfere with the use thereof.

(h) NO SPECIAL ASSESSMENT. Neither the Target nor any of its Subsidiaries has received notice of any special assessment relating to any Facility or any portion thereof and, to the knowledge of the Sellers, there is no pending or threatened special assessment.

#### 4.7 CONTRACTS AND COMMITMENTS.

(a) CONTRACTS. Schedule 4.7(a) lists the following Contracts, agreements and other written arrangements to which the Target and any of its Subsidiaries is a party, or by which the Assets of the Target or any such Subsidiary are bound, including without limitation:

(i) Contracts not made in the ordinary course of business;

(ii) written employment and severance agreements, including without limitation Contracts (A) to employ or terminate officers or other Personnel and other Contracts with present or former officers, directors or shareholders or other Personnel of the Target or any of its Subsidiaries or (B) that will result in the payment by, or the creation of any Liability to pay on behalf of Buyer or the Target or any of its Subsidiaries any severance, termination, "golden parachute," or other similar payments to any present or former Personnel following termination of employment or otherwise as a result of the consummation of the transactions contemplated by this Agreement;

(iii) labor or union contracts;

(iv) excluding Contracts with S-Agents and employees, written sales, commission, consulting or agency Contracts related to the Assets or the Business requiring payments by the Target or its Subsidiaries in excess of \$50,000 during any twelve-month period;

(v) options with respect to any property, real or personal, whether the Target or any of its Subsidiaries shall be the grantor or grantee thereunder, providing for payments in excess of \$50,000;

(vi) excluding Contracts that are cancelable by the Target (in the case of Contracts entered into by the Target) and its Subsidiaries (in the case of contracts that are entered into by the Target's Subsidiaries) without penalty or increased cost, written Contracts for the performance of services or delivery of goods by the Target or any of its Subsidiaries involving receipts in excess of \$500,000 (exclusive of freight charges and customs duties) or expenditures in excess of \$50,000 (exclusive of freight charges and customs duties) in any twelve-month period;

(vii) excluding Contracts that are cancelable by the Target (in the case of Contracts entered into by the Target) and its Subsidiaries (in the case of contracts that are entered into by the Target's Subsidiaries) without penalty or increased cost, Contracts involving expenditures or Liabilities, actual or potential, which individually involve in excess of \$50,000 (exclusive of freight charges and customs duties) in any twelve-month period;

(viii) promissory notes, loans, indentures, evidences of indebtedness, letters of credit, guarantees, or other similar instruments relating to an obligation to repay borrowed money, individually or in the

aggregate in excess of \$25,000, whether the Target or any of its Subsidiaries shall be the borrower, lender or guarantor thereunder or whereby any Assets are pledged (excluding credit provided by the Target or any such Subsidiary in the ordinary course of business to purchasers of its products or services);

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(ix) Contracts containing covenants materially limiting the freedom of the Target or any of its Subsidiaries or any officer, director, shareholder or affiliate of the Target or any of its Subsidiaries, (i) to engage in any line of business which is competitive with the Business, or (ii) except for covenants running in favor of the Target or any of its Subsidiaries, to compete with any Person with respect to the Business;

(x) except for agreements with S Agents, written arrangements (or group of related written arrangements) constituting a partnership or joint venture between the Target or any of its Subsidiaries and any other Person;

(xi) written arrangements between the Target or any of its Subsidiaries and any of their respective directors, officers, shareholders or employees, any affiliate thereof or any member of any such person's immediate family (x) providing for the furnishing of material services by, (y) providing for the rental of material real or personal property from, or (z) otherwise requiring material payments to (other than for services as officers, directors or employees of the Target or any such Subsidiary), any such Person or any corporation, partnership, trust or other entity in which any such Person has a substantial interest as a shareholder, officer, director, trustee or partner;

(xii) Contracts that materially limit or contain material restrictions on the ability of the Target or any of its Subsidiaries to purchase or sell any Assets;

(xiii) Contracts with the United States, any state or local government or any agency or department thereof;

(xiv) Leases of real property; and

(xv) Leases of personal property providing for lease payments in excess of \$50,000 and not cancelable (without Liability) within 30 calendar days.

The Target and its Subsidiaries have made available to Buyer true, correct and complete copies of all of the Contracts listed in Schedule 4.7(a), including all amendments and supplements thereto.

(b) ABSENCE OF BREACHES AND DEFAULTS. All of the Contracts to which the Target or any of its Subsidiaries is party or by which it or any of the Assets is bound or affected are valid, binding and enforceable in accordance

with their terms, except where any such failure to be enforceable would not, either individually or in the aggregate, have a Material Adverse Effect. Except as set forth in Schedule 4.7(b), the Target and each of its Subsidiaries has fulfilled, or taken all action necessary to enable it to fulfill when due, all of its material obligations under each such Contract, except where the failure to fulfill its obligations thereunder, or the failure to take any such action to enable it to fulfill its obligations thereunder, either individually or in the aggregate, would not have a Material Adverse Effect. Except as set forth in Schedule 4.7(b), the Target and each of its Subsidiaries which is a party to such Contracts and, to the knowledge of the Sellers, each other party to such Contracts has complied in all material respects with the provisions thereof and is not in Default thereunder, except where such Default would not, either individually or in the aggregate, have a Material Adverse Effect, and no notice of any claim of Default has been given to the Target or any of its Subsidiaries. Neither the Target nor any of its Subsidiaries has reason to believe that any outstanding bid, proposal or any

unfinished Contract will upon performance by the Target or any of its Subsidiaries result in a loss to the Target or such Subsidiary, except where such loss would not have a Material Adverse Effect.

(c) SERVICE WARRANTY. Except as set forth in Schedule 4.7(c), neither the Target nor any of its Subsidiaries has committed any act, and there has been no omission, which will result in, and there has been no occurrence which will give rise to, Liability for breach of warranty (whether covered by insurance or not) on the part of the Target or any of its Subsidiaries, with respect to products maintained, delivered or installed or services rendered prior to or on the Closing Date, except for such Liabilities which would not, either individually or in the aggregate, have a Material Adverse Effect.

#### 4.8 PERMITS, CONSENTS AND APPROVALS.

(a) Schedule 4.8(a) sets forth a complete list of all material Permits used in the operation of the Business or otherwise held by the Target or any of its Subsidiaries with respect to the Business. The Target and each of its Subsidiaries has all Permits required to be maintained by the Target or any of its Subsidiaries under any Regulation (including applicable Environmental Laws) in the operation of its Business or in the ownership of the Assets, and possesses such Permits free and clear of all Encumbrances, other than Permitted Encumbrances and Encumbrances identified in Schedule 4.8(a), except Permits the failure of which to obtain would not have a Material Adverse Effect. To the knowledge of the Sellers neither the Target nor any of its Subsidiaries is in Default, nor has the Target or any of its Subsidiaries received any notice of any claim of Default, with respect to any such Permit. Except as set forth in Schedule 4.8(a), none of the rights of the Target or any of its Subsidiaries in any Permit will be adversely affected by the completion of the transactions contemplated by this Agreement. Except for Permits set forth in Schedule



4.8(a), no present or former shareholder, director, officer or employee of the Target or any of its Subsidiaries or any affiliate thereof, or any other Person owns or has any proprietary, financial or other interest (direct or indirect) in any Permit which any Seller owns, possesses or uses.

(b) Other than in connection with or in compliance with the provisions of the HSR Act, and except as disclosed in Schedule 4.8(b) hereto, no notice to, declaration, filing or registration with, or Permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is required to be made or obtained by the Target or any of its Subsidiaries in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby. Schedule 4.8(b) sets forth all Contracts which require the consent of the other parties thereto to any "change of control" or similar event with respect to the Target or any of its Subsidiaries.

4.9 NO CONFLICT OR VIOLATION. Except as set forth in Schedule 4.9, neither the execution, delivery or performance of this Agreement or the Ancillary Agreements nor the consummation of the transactions contemplated hereby or thereby, nor compliance by the Target or any of its Subsidiaries with any of the provisions hereof, will (a) violate any provision of the Articles of Incorporation or Bylaws of the Target or any of its Subsidiaries, (b) violate or result in or constitute a Default under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the Assets under, any of the terms, conditions or provisions of any Contract or Permit (i) to which the Target or any of its Subsidiaries is a party or (ii) by which the Assets are bound, (c) violate any Regulation or

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Court Order or (d) impose any Encumbrance on any of the Assets or the Business, other than Permitted Encumbrances, except in the cases of each of clauses (b), (c) and (d) above, for such violations, Defaults, terminations, accelerations or creations of Encumbrances which, individually and in the aggregate, would have a Material Adverse Effect.

4.10 FINANCIAL STATEMENTS. The Target and each of its Subsidiaries have heretofore delivered to Buyer true and complete copies of the Financial Statements. The Financial Statements (a) are in accordance with the Books and Records of the Target and its Subsidiaries in all material respects, (b) except as set forth in Schedule 4.10 have been prepared in accordance with GAAP consistently applied (except such changes as may have been required by GAAP) throughout the period covered thereby (subject, in the case of the Interim Financial Statements, which have been prepared in accordance with the historical accounting procedures of the Target and its Subsidiaries for the preparation of interim financial statements, to normal year-end adjustments and the absence of footnotes) and (c) after giving effect to the adjustments specified therein,

fairly and accurately present in all material respects (i) the combined assets, liabilities (including all reserves) and financial position of the Target and its Subsidiaries on the date or for the period covered thereby, (ii) the combined results and operations of the Target and its Subsidiaries for the period presented and (iii) the combined cash flows of the Target and its Subsidiaries for the period presented.

4.11 BOOKS AND RECORDS. The Target and each of its Subsidiaries has made and kept (and given Buyer access to) Books and Records and accounts, which, in reasonable detail, accurately reflect in all material respects the activities of the Target and each such Subsidiary. The minute books of the Target and each of its Subsidiaries previously delivered to Buyer accurately reflect all material action previously taken by the shareholders, board of directors and committees of the board of directors of the Target and each such Subsidiary. The copies of the stock ledgers of the Target and each of its Subsidiaries previously delivered to Buyer are true, correct and complete in all material respects, and accurately reflect all transactions effected in the stock of the Target and each of its Subsidiaries through and including the date hereof.

4.12 LITIGATION. Except as set forth in Schedule 4.12, there are no Actions, individually or, if related to a single set of circumstances, in the aggregate, involving more than \$50,000 pending, or to the knowledge of the Sellers, threatened (a) against, or to the knowledge of the Sellers, relating to or affecting (i) the Target or any of its Subsidiaries, the Business or the Assets (including with respect to Environmental Laws), (ii) any Employee Plan of the Target or any of its Subsidiaries or any trust or other funding instrument or any fiduciary or administrator thereof in their capacity as such, (iii) any officers or directors of the Target or any of its Subsidiaries in such capacity, (iv) any shareholder of the Target or any of its Subsidiaries in such shareholder's capacity as a shareholder of the Target or such Subsidiary or (v) the transactions contemplated by this Agreement or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, any of which would have a Material Adverse Effect, (b) which, if determined adversely to the Target or any of its Subsidiaries, could reasonably be expected to delay, limit or enjoin the transactions contemplated by this Agreement, (c) that involve the probability of criminal liability on the part of the Target or any of its Subsidiaries, or (d) in which the Target or any of its Subsidiaries is a plaintiff, including any derivative suits brought by or on behalf of the Target or any of its Subsidiaries. Except as set forth in Schedule 4.12, neither the Target nor any of its Subsidiaries is in Default with respect to or subject to any judgment, order, writ, injunction or decree of any court or governmental

agency and there are no unsatisfied judgments against the Target or any of its Subsidiaries, the Business or the Assets, any of which would, individually or in the aggregate, have a Material Adverse Effect. To the knowledge of the Sellers, there is not a reasonable likelihood of an adverse



determination of any pending Actions that could, individually or in the aggregate, have a Material Adverse Effect. There are no Court Orders or agreements with, or liens of, any governmental authority pursuant to or under any Environmental Law which regulate, obligate or bind the Target or any of its Subsidiaries or, to the knowledge of the Sellers, any Facility or Former Facility.

4.13 LABOR MATTERS. Except as set forth in Schedule 4.13, neither the Target nor any of its Subsidiaries is a party to any labor agreement with respect to its employees with any labor organization, union or similar group or association and there are no employee unions (nor any other similar labor or employee organizations) which represent employees of the Target and its Subsidiaries. Other than pursuant to the labor agreements set forth in Schedule 4.13 and the activities of the unions which are parties thereto with respect to the employees covered thereby, neither the Target nor any of its Subsidiaries is experiencing any attempt by organized labor or its representatives to make the Target or any of its Subsidiaries conform to demands of organized labor relating to its employees or to enter into a binding agreement with organized labor that would cover the employees of the Target or any of its Subsidiaries. There is no labor strike or labor disturbance pending or, to the knowledge of the Sellers, threatened against the Target or any of its Subsidiaries nor is any grievance currently being asserted. The Business is in compliance with all applicable laws respecting employment practices, employment documentation, terms and conditions of employment and wages and hours, except where any failure to comply with any such applicable law would not have a Material Adverse Effect, and is not and has not engaged in any unfair labor practice which would, individually or in the aggregate, have a Material Adverse Effect. Without limiting the foregoing, the Target and each of its Subsidiaries is in compliance with the Immigration Reform and Control Act of 1986 and maintains a current Form I-9, to the extent required by such Act, in the personnel file of each employee hired after November 9, 1986, except where any failure to comply would not have a Material Adverse Effect. Schedule 4.13 sets forth the names and current annual salary rates or current hourly wages of all present employees of the Target or any of its Subsidiaries whose annual cash compensation for the 1996 fiscal year exceeds \$75,000, and also sets forth the earnings for each of such employees as reflected on Form W-2 for the 1995 calendar year. Except as set forth in Schedule 4.13, there is no unfair labor practice charge or complaint against the Target or any of its Subsidiaries pending before the National Labor Relations Board or any other domestic or foreign governmental agency arising out of conduct of the Business, and to the knowledge of the Sellers there are no facts or information which would give rise thereto.

4.14 LIABILITIES. Except as set forth in Schedule 4.14 hereto, neither the Target nor any of its Subsidiaries has any Liabilities due or to become due, except (a) Liabilities which are reflected and reserved against on the 1995 Year End Financial Statements, which have not been paid or discharged since the date thereof, (b), Liabilities hereunder and under the Ancillary Agreements or (c) Liabilities arising in the ordinary course of business (including the payment of amounts due in the ordinary course under Contracts) and none of which, individually or in the aggregate, has or would have a Material Adverse Effect.

4.15 COMPLIANCE WITH LAW. Except as set forth in Schedule 4.15, the Target and each of its Subsidiaries and the conduct of the Business have not violated and are in compliance with all applicable Regulations and Court Orders relating to the Assets or the Business or operations of the Target and

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each such Subsidiary, except where the violation or failure to comply, individually or in the aggregate, would not have a Material Adverse Effect. Neither the Target nor any of its Subsidiaries has received any notice to the effect that, or otherwise been advised that, the Target or any of its Subsidiaries is not in compliance with any such Regulations or Court Orders, and no Seller has reason to believe that any existing circumstances are likely to result in violations of any of the foregoing, which failure to comply or violation would, in any one case or in the aggregate, have a Material Adverse Effect.

4.16 NO BROKERS. Neither the Target nor any of its Subsidiaries nor any of their respective officers, directors, employees, shareholders or affiliates has employed or made any agreement with any broker, finder or similar agent or any person or firm which will result in the obligation of Buyer or any of its affiliates to pay any finder's fee, brokerage fees or commission or similar payment in connection with the transactions contemplated hereby.

4.17 NO OTHER AGREEMENTS TO SELL THE ASSETS. Neither the Target nor any of its Subsidiaries nor any of their respective officers, directors, shareholders or affiliates has any outstanding commitment or legal obligation, absolute or contingent, to any other Person other than Buyer to sell, assign, transfer or effect a sale of all or a material portion of the Assets (other than inventory in the ordinary course of business), to sell or effect a sale of the capital stock of the Target or any of its Subsidiaries, to effect any merger, consolidation, liquidation, dissolution or other reorganization of the Target or any of its Subsidiaries, or to enter into any agreement or cause the entering into of an agreement with respect to any of the foregoing.

#### 4.18 PROPRIETARY RIGHTS.

(a) PROPRIETARY RIGHTS. Schedule 4.18(a) sets forth with respect to the Target and each of its Subsidiaries: (i) for each Patent owned by the Target or any of its Subsidiaries, the number, expiration date and subject matter for each country in which such Patent has been issued, or, if applicable, the application number, date of filing and subject matter for each country, (ii) for each Trademark owned by the Target or any of its Subsidiaries, the application serial number or registration number, the class of goods covered and the issuance date for each country in which a Trademark has been registered and (iii) for each Copyright owned by the Target or any of its Subsidiaries, the number and date of filing for each country in which a Copyright application has been filed. The Proprietary Rights listed in the Disclosure Schedule are all of

the material Proprietary Rights used by the Target or any of its Subsidiaries in connection with the Business. True and correct copies of all Patents (including any and all pending applications) owned, controlled or created by or on behalf of the Target or any of its Subsidiaries or in which the Target or any of its Subsidiaries have any ownership interest whatsoever have been provided to Buyer.

(b) OWNERSHIP AND PROTECTION OF PROPRIETARY RIGHTS. The Target and its Subsidiaries own or have a valid right to use each of the Proprietary Rights, and assuming the consents described in Schedule 4.18(b) have been obtained, no such Proprietary Rights will cease to be valid rights of the Target or any of its Subsidiaries solely by reason of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby. Except for applications pending, all of the material Patents, registered designs and registered Trademarks listed in the Disclosure Schedule have been duly issued to the Target or its Subsidiaries and all of the other Proprietary Rights exist and if possible, are registered and are subsisting. All of the pending Patent

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applications have been duly filed. None of the Proprietary Rights owned by the Target or any of its Subsidiaries is involved in any pending or, to the knowledge of the Sellers, threatened litigation. Neither the Target nor any of its Subsidiaries has received any notice of invalidity of its right or infringement of any rights of others with respect to such Proprietary Rights.

Except as set forth in Schedule 4.18(b), no Person (i) has notified the Target or any of its Subsidiaries that it is claiming any ownership of or right to use such Proprietary Rights, or (ii) to the knowledge of the Sellers, is infringing upon any such Proprietary Rights in any way. To the knowledge of the Sellers, the use of by the Target or any of its Subsidiaries of the Proprietary Rights owned by the Target and its Subsidiaries does not and will not infringe upon the rights of any third party and no Action has been instituted against or notices received by the Target or any of its Subsidiaries that are presently outstanding alleging that any use by the Target and its Subsidiaries of the Proprietary Rights infringes upon or otherwise violates any rights of a third party.

#### 4.19 EMPLOYEE BENEFIT PLANS.

(a) DISCLOSURE; DELIVERY OF COPIES OF RELEVANT DOCUMENTS AND OTHER INFORMATION. Schedule 4.19 contains a complete list of Employee Plans. Except as set forth in Schedule 4.19, true and complete copies of each of the following documents have been made available by the Target and its Subsidiaries to Buyer: (i) each Welfare Plan, Pension Plan, Multiemployer Plan and Benefit Arrangement (and, if applicable, related trust agreements) which covers or has covered employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) and all amendments thereto, all Summary Plan Descriptions (as such term is defined in ERISA) thereof which have been distributed to any employees of the Target or any of its Subsidiaries, (ii) each

Employee Plan which covers or has covered employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) including Summary Plan Descriptions thereof which have been distributed to any employees of the Target or any of its Subsidiaries (including descriptions of the number and level of employees covered thereby) and a complete description of any Employee Plan which is not in writing, (iii) the most recent determination or opinion letter issued by the Internal Revenue Service with respect to each Pension Plan and each Welfare Plan (other than a Multiemployer Plan, as defined in Section 3(37) of ERISA) which covers or has covered employees of the Target or any of its Subsidiaries (with respect to its relationship with such entities), (iv) for the three most recent plan years, Annual Reports on Form 5500 Series required to be filed with any governmental agency for each Pension Plan which covers or has covered employees of the Target or any of its Subsidiaries (with respect to its relationship with such entities), (v) all actuarial reports prepared for the last three plan years for each Pension Plan which covers or has covered employees of the Target or any of its Subsidiaries (with respect to its relationship with such entities) and (vi) a description setting forth the amount of any Liability of the company as of the Closing Date for payments more than thirty (30) calendar days past due with respect to each Welfare Plan which covers or has covered employees or former employees of the Target or any of its Subsidiaries.

(b) REPRESENTATIONS. Except as set forth in Schedule 4.19:

(i) PENSION PLANS

(A) The funding method used in connection with each Pension Plan which is subject to the minimum funding requirements of ERISA is acceptable under ERISA and the actuarial

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assumptions used in connection with funding each such plan are reasonable under ERISA. As of the last day of the last plan year of each Pension Plan and as of the Closing Date, the "amount of unfunded benefit liabilities" as defined in Section 4001(a)(18) of ERISA (but excluding from the definition of "current value" of "assets" of such Pension Plan, accrued but unpaid contributions) did not exceed zero. No "accumulated funding deficiency" as defined in Section 412 of the Code or as defined in Section 302(a)(2) of ERISA, whichever may apply, for which an excise tax is due or would be due in the absence of a waiver, has been incurred with respect to any Pension Plan with respect to any plan year, whether or not waived. Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has failed to pay when due any "required installment", within the meaning of Section 412(m) of the Code and Section 302(e) of ERISA, whichever may apply, with respect to any Pension Plan. Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate is subject to any lien imposed under Section 412(n) of the Code or Section 302(f) of ERISA, whichever may apply, with respect to any Pension Plan. Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has

any Liability for unpaid contributions with respect to any Pension Plan or employee benefit plan of any foreign government.

(B) Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate is required to provide security to a Pension Plan which covers or has covered employees or former employees of the Target or any of its Subsidiaries under Section 401(a)(29) of the Code.

(C) Each Pension Plan and each related trust agreement, annuity contract or other funding instrument which covers or has covered employees or former employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) is intended to be and has been operated as qualified and tax-exempt under the provisions of Code Sections 401(a) (or 403(a), as appropriate) and 501(a) and has been so qualified during the period from its adoption to date.

(D) Each Pension Plan, each related trust agreement, annuity contract or other funding instrument which covers or has covered employees or former employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) presently complies and has been maintained in all material respects in compliance with its terms and, both as to form and in operation, with the requirements prescribed by any and all Regulations and Court Orders which are applicable to such plans, including without limitation ERISA and the Code.

(E) The Target and each of its Subsidiaries paid all premiums (and interest charges and penalties for late payment, if applicable) due the PBGC with respect to each Pension Plan for each plan year thereof for which such premiums are required. Neither the Target or any of its Subsidiaries nor any ERISA Affiliate has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Section 4069 of ERISA. There has been no "reportable event" (as defined in Section 4043(b) of ERISA and the PBGC regulations under such Section) with respect to any Pension Plan. No filing has been made by the Target or any of its Subsidiaries or any ERISA Affiliate with the PBGC, and no proceeding has been commenced by the PBGC, to terminate any Pension Plan. No condition exists and no event has occurred that would constitute grounds for the termination of any Pension Plan by the PBGC. Neither the Target or any of its Subsidiaries nor any ERISA Affiliate has, at any time, (1) ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA, (2) withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA, or (3) ceased making contributions on or before

the Closing Date to any Pension Plan subject to Section 4064(a) of ERISA to which the Target or any ERISA Affiliate made contributions during the six years prior to the Closing Date.

(ii) MULTIEmployer PLANS

(A) Neither the Target or any of its Subsidiaries nor any ERISA Affiliate has, at any time, withdrawn from a Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" as defined in Sections 4203 and 4205 of ERISA, respectively, so as to result in a Liability, contingent or otherwise (including without limitation the obligations pursuant to an agreement entered into in accordance with Section 4204 of ERISA), of the Target or any of its Subsidiaries or any ERISA Affiliate. Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Section 4212(c) of ERISA.

(B) All contributions required to be made by the Target or any of its Subsidiaries or any ERISA Affiliate to each Multiemployer Plan have been made when due.

(C) If, as of the Closing Date, the Target or any of its Subsidiaries (and all ERISA Affiliates) were to withdraw from all Multiemployer Plans to which it (or any of them) has contributed or been obligated to contribute, it (and they) would incur no Liabilities to such plans under Title IV of ERISA.

(D) To the knowledge of the Sellers, with respect to each Multiemployer Plan: (1) no such Multiemployer Plan has been terminated or has been in reorganization under ERISA so as to result, directly or indirectly, in any Liability, contingent or otherwise, of any Sellers or any ERISA Affiliate under Title IV of ERISA; (2) no proceeding has been initiated by any person (including the PBGC) to terminate any Multiemployer Plan; (3) Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has reason to believe that any Multiemployer Plan will be terminated or will be reorganized under ERISA; and (4) neither the Target nor any of its Subsidiaries nor any ERISA Affiliate expects to withdraw from any Multiemployer Plan.

(iii) WELFARE PLANS

(A) Each Welfare Plan which covers or has covered employees or former employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) has been maintained in all material respects in compliance with its terms and, both as to form and operation, with the requirements prescribed by any and all Regulations and Courts Orders which are applicable to such Welfare Plan, including without limitation ERISA and the Code.

(B) None of the Targets, any of its Subsidiaries, any ERISA Affiliate or any Welfare Plan has any present or future obligation to make any payment to, or with respect to any present or former employee of the Target or any of its Subsidiaries or any ERISA Affiliate pursuant to, any retiree medical benefit plan, or other retiree Welfare Plan. No condition (other than those evident on the face of the documents that constitute such plans) exists which would prevent any Sellers from amending or terminating any such benefit plan or



(C) Each Welfare Plan which covers or has covered employees or former employees of the Target or any of its Subsidiaries and which is a "group health plan," as defined in Section 607(1) of ERISA, has been operated in all material respects in compliance with provisions of Part 6 of Title I, Subtitle B of ERISA and Sections 162(k) and 4980B of the Code at all times.

(D) Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has incurred any Liability with respect to any Welfare Plan that is a "multiemployer plan", as defined in Section 3(37) of ERISA, under the terms of such Welfare Plan, any collective bargaining agreement or otherwise resulting from any cessation of contributions, cessation of obligation to make contributions or other form of withdrawal from such Welfare Plan.

(E) If, as of the Closing Date, the Target or any of its Subsidiaries (and all ERISA Affiliates) were to have a cessation of contributions, cessation of obligations to make contribution or other form of withdrawal from all Welfare Plans that are "multiemployer plans", as defined in Section 3(37) of ERISA, it (and they) would incur no Liabilities with respect to any such Welfare Plans under the terms of such Welfare Plans, any collective bargaining agreement or otherwise.

(iv) BENEFIT ARRANGEMENTS. Each Benefit Arrangement which covers or has covered employees or former employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all Regulations and Court Orders which are applicable to such Benefit Arrangement, including without limitation the Code. Except as set forth in the Disclosure Schedule, and except as provided by law, the employment of all persons presently employed or retained by the Target or any of its Subsidiaries (other than those employees with whom the Target or any of its Subsidiaries has an employment agreement) is terminable at will.

(v) UNRELATED BUSINESS TAXABLE INCOME. To the knowledge of the Sellers, no Employee Plan (or trust or other funding vehicle pursuant thereto) is subject to any tax under Code Section 511.

(vi) DEDUCTIBILITY OF PAYMENTS. There is no contract, agreement, plan or arrangement covering any employee or former employee of the Target or any of its Subsidiaries (with respect to its relationship with such entities) that, individually or collectively, provides for the payment by such Sellers of any amount (i) that is not deductible under Section 162(a)(1) or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code.

(vii) FOREIGN PLANS. None of the Foreign Subsidiaries has any

employees and there are no plans that cover any employee or former employee of any Foreign Subsidiary that would constitute Employee Plans or that would be subject to ERISA if they were to cover employees subject to the laws of the United States.

(viii) FIDUCIARY DUTIES AND PROHIBITED TRANSACTIONS. To the knowledge of the Sellers, none of the Target nor any of its Subsidiaries nor any other plan fiduciary of any Welfare Plan or Pension Plan which covers or has covered employees or former employees of the Target or any of its Subsidiaries or any ERISA Affiliate, has engaged in any transaction in violation of Sections 404 or 406 of ERISA or any "prohibited transaction," as defined in Section 4975(c)(1) of the Code, for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the Code, or has

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otherwise violated the provisions of Part 4 of Title I, Subtitle B of ERISA. Neither the Target nor any of its Subsidiaries has knowingly participated in a violation of Part 4 of Title I, Subtitle B of ERISA by any plan fiduciary of any Welfare Plan or Pension Plan and has not been assessed any civil penalty under Section 502(l) of ERISA.

(ix) VALIDITY AND ENFORCEABILITY. Each Welfare Plan, Pension Plan, related trust agreement, annuity contract or other funding instrument and Benefit Arrangement which covers or has covered employees or former employees of the Target or any of its Subsidiaries (with respect to their relationship with such entities) is legally binding in all material respects and in full force and effect.

(x) LITIGATION. There is no Action or Court Order outstanding, relating to or seeking benefits under any Employee Plan that is pending or, to the knowledge of the Sellers, threatened against the Target or any of its Subsidiaries, any ERISA Affiliate or any Employee Plan.

(xi) NO AMENDMENTS. Neither the Target nor any of its Subsidiaries nor any ERISA Affiliate has any announced plan or legally binding commitment to create any additional Employee Plans which are intended to cover employees or former employees of the Target or such Subsidiary (with respect to their relationship with such entities) or to amend or modify any existing Employee Plan which covers or has covered employees or former employees of the Target or such Subsidiary (with respect to their relationship with such entities).

(xii) NO OTHER MATERIAL LIABILITY. No event has occurred in connection with which any Sellers or any ERISA Affiliate or any Employee Plan, directly or indirectly, would be subject to any material Liability (A) under any Regulation or Court Order relating to any Employee Plans or (B) pursuant to any obligation of the Target or such Subsidiary to indemnify any person against Liability incurred under any such Regulation or Court Order as they relate to



the Employee Plans.

(xiii) UNPAID CONTRIBUTIONS. Neither the Target nor any of its Subsidiaries of the Sellers nor any ERISA Affiliate has any Liability for unpaid contributions under Section 515 of ERISA with respect to any Pension Plan, Multiemployer Plan or Welfare Plan.

(xiv) INSURANCE CONTRACTS. Neither the Target nor any of its Subsidiaries nor any Employee Plan (other than a "multiemployer plan", as defined in Section 3(37) of ERISA) holds as an asset of any Employee Plan any interest in any annuity contract, guaranteed investment contract or any other investment or insurance contract issued by an insurance company that is the subject of bankruptcy, conservatorship or rehabilitation proceedings.

(xv) NO ACCELERATION OR CREATION OF RIGHTS. Neither the execution and delivery of this Agreement or other related agreements by the Target or any of its Subsidiaries nor the consummation of the transactions contemplated hereby or the related transactions will result in the acceleration or creation of any rights of any person to benefits under any Employee Plan (including, without limitation, the acceleration of the vesting or exercisability of any stock options, the acceleration of the vesting of any restricted stock, the acceleration of the accrual or vesting of any benefits under any Pension Plan or the acceleration or creation of any rights under any severance, parachute or change in control agreement).

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4.20 THIS SECTION INTENTIONALLY OMITTED.

4.21 TAX MATTERS.

(a) FILING OF TAX RETURNS. Each of the Target and each of its Subsidiaries (and any affiliated group of which the Target or such Subsidiary is now or has been a member) has timely filed with the appropriate taxing authorities all returns (including without limitation information returns and other material information) in respect of Taxes required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date, other than those returns, the failure of which to file would not, individually or in the aggregate, have a Material Adverse Effect. The returns and other information filed are complete and accurate in all material respects. Except as specified in Schedule 4.21(a), neither the Target nor any of its Subsidiaries, nor any group of which the Target or such Subsidiary is now or was a member, has requested any extension of time within which to file returns (including without limitation information returns) in respect of any Taxes. Each of the Target and each of its Subsidiaries has made available to Buyer complete and accurate copies of the Target's or such Subsidiary's foreign, federal, state and local tax returns for the years 1993, 1994 and 1995.

(b) PAYMENT OF TAXES. All material amounts of Taxes payable by the Target or any of its Subsidiaries or any affiliated group with which the Target or any of its Subsidiaries files a consolidated or combined Tax return (whether or not shown on any Tax return) in respect of periods beginning before the Closing Date have been timely paid, or will be timely paid, or an adequate reserve has been established therefor, as set forth in Schedule 4.21(b) and the Financial Statements, and neither the Target nor any of its Subsidiaries has any material Liability for Taxes in excess of the amounts so paid or reserves so established.

(c) AUDITS, INVESTIGATIONS OR CLAIMS. Except as set forth in Schedule 4.21(c), no material deficiencies for Taxes have been claimed, proposed or assessed by any taxing or other governmental authority against the Target or any of its Subsidiaries. Except as set forth in Schedule 4.21(c), there are no pending or, to the knowledge of the Target or the Sellers, threatened audits, investigations or claims for or relating to any material additional Liability in respect of Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in the reasonable judgment of any Seller, is likely to result in a material additional Liability for Taxes. Audits, if any, of foreign, federal, state, and local returns for Taxes by the relevant taxing authorities have been completed for each period set forth in Schedule 4.21(c) and, except as set forth in Schedule 4.21(c), neither the Target nor any of its Subsidiaries has been notified that any taxing authority intends to audit a return for any period. Except as set forth in Schedule 4.21(c), no extension of a statute of limitations relating to Taxes is in effect with respect to the Target or any of its Subsidiaries.

(d) LIEN. There are no liens for Taxes (other than for current Taxes not yet due and payable) on the Assets.

(e) SAFE HARBOR LEASE PROPERTY. None of the Assets is property that is required to be treated as being owned by any other Person pursuant to the so-called safe harbor lease provisions of former Section 168(f)(8) of the Code.

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(f) SECURITY FOR TAX-EXEMPT OBLIGATIONS. None of the Assets directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(g) TAX-EXEMPT USE PROPERTY. None of the Assets is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(h) FOREIGN PERSON. The Stockholder is not a Person other than a United States Person within the meaning of the Code.

(i) NO WITHHOLDING. The transaction contemplated herein is not subject to the tax withholding provisions of Section 3406 of the Code, or of Subchapter A of Chapter 3 of the Code or of any other provision of law.

(j) PARTNERSHIP. Except as set forth in Schedule 4.21(j), neither the Target nor any of its Subsidiaries is a party to any joint venture, partnership, or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

(k) WITHHOLDING. Each of the Target and its Subsidiaries has withheld all material amounts of Taxes required to have been withheld by it in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and such withheld Taxes have either been duly paid to the proper governmental authority or set aside in accounts for such purpose.

(l) COLLAPSIBLE CORPORATIONS. Neither the Target nor any of its Subsidiaries has filed a consent under Code Section 341(f) concerning collapsible corporations.

(m) GOLDEN PARACHUTE PAYMENTS. Neither the Target nor any of its Subsidiaries has made any payments, nor is the Target or any of its Subsidiaries obligated to make any payments, and neither the Target nor any of its Subsidiaries is a party to any agreement that could obligate it to make any payments that would not be deductible under Code Section 280G.

(n) DISCLOSURE STATEMENT. Neither the Target nor any of its Subsidiaries has filed with respect to any item a disclosure statement pursuant to Code Section 6662 or any comparable disclosure with respect to foreign, state or local statutes.

(o) TAX ALLOCATION AGREEMENTS. Except as set forth in Schedule 4.21(o), neither the Target nor any of its Subsidiaries is a party to any Tax allocation or sharing agreement.

(p) JOINT AND SEVERAL LIABILITY. Neither the Target nor any of its Subsidiaries (A) within the last five (5) years has been a member of any affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which is the Stockholder or its predecessor) and (B) has any liability for the Taxes of any person as defined in Section 7701(a)(1) of the Code (other than the Target and its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(q) ADEQUATE RESERVES. The charges, accruals and reserves for Taxes (including deferred Taxes) currently reflected on the Financial Statements in accordance with GAAP are adequate in all

material respects to cover all unpaid Taxes accruing or payable by the Target or any of its Subsidiaries in respect of taxable periods that end on or

before the Closing Date and for any taxable periods that begin before the Closing Date and end thereafter to the extent such Taxes are attributable to the portion of such period ending on the Closing Date (determined under the closing of the books method of allocation).

(r) NO SECTION 338 AND 336 ELECTIONS. Other than as contemplated by this Agreement, there are no elections in effect made by the Stockholder, Target or any of its Subsidiaries pursuant to Code Sections 338 or 336(e) or the regulations thereunder and neither the Target nor any of its Subsidiaries is subject to any constructive elections under Code Section 338 or the regulations thereunder.

(s) CHANGE IN ACCOUNTING METHOD. Neither the Target nor any of its Subsidiaries has agreed to or is required to make any adjustment pursuant to Code Section 481(a) by reason of a change in accounting method initiated by any such company and neither the Seller nor the Target has knowledge that the Internal Revenue Service has proposed any such adjustment or change in accounting method.

(t) CERTAIN ACTIONS. Neither the Target nor any of its Subsidiaries has taken, and none will take prior to Closing, any action not in accordance with past practice that would have the effect of deferring any Tax liability of the Target or any of its Subsidiaries from any taxable period ending on or before the Closing Date to any subsequent taxable period.

(u) NO EXCESS LOSS ACCOUNTS. There currently are no excess loss accounts, deferred intercompany gains or losses, or other like items pertaining to the Target or any of its Subsidiaries.

(v) NO TRANSFER PRICING AGREEMENTS. Neither the Target nor any of its Subsidiaries has entered into transfer pricing agreements or other like arrangements with respect to any foreign jurisdiction.

(w) INFORMATION REGARDING FOREIGN SUBSIDIARIES. None of the Foreign Subsidiaries is (i) engaged in a United States trade or business for federal income tax purposes; (ii) a passive foreign investment company within the meaning of the Code; or (iii) a foreign investment company within the meaning of the Code; Schedule 5.14(w) sets forth for each of the Foreign Subsidiaries: (i) (the amount of current and accumulated earnings and profits as of the date hereof and the amount expected as of the Closing Date; and (ii) the amount of previously taxed income within the meaning of section 959 of the Code as of the date hereof and the amount expected as of the Closing Date (taking into account the amount of any dividend income to stockholders under section 1248 of the Code from the transactions contemplated by this Agreement).

(x) INTERNATIONAL BOYCOTT. Neither the Target nor any of its Subsidiaries has participated in or cooperated with an international boycott or has been requested to do so in connection with any transaction or proposed transaction.

(y) SUBPART F INCOME. Buyer would not be required to include any

amount in gross income with respect to any of the Foreign Subsidiaries pursuant to section 951 of the Code if the taxable year of any such Foreign Subsidiaries were deemed to end on the Closing Date after the Closing.

(z) SECTION 338(h)(10) ELECTION. The Stockholder is the common parent of the affiliated group (within the meaning of Section 1504(a) of the Code) that includes the Target, and the Stockholder will not be a target corporation within the meaning of Section 338 of the Code for the taxable year that includes the Closing Date.

4.22 INSURANCE. Schedule 4.22 contains a complete and accurate (in all material respects) list of all policies or binders of fire, liability, title, worker's compensation, product liability (which list shall be for three (3) years) and other forms of insurance (showing as to each policy or binder the carrier, policy number, coverage limits, expiration dates, annual premiums, a general description of the type of coverage provided and loss experience history by line of coverage) maintained by the Target or any of its Subsidiaries in connection with the Business, the Assets or their respective employees. To the knowledge of the Sellers, all insurance coverage currently maintained by the Target and its Subsidiaries applicable to the Target or any of its Subsidiaries, its employees, the Business or the Assets is in full force and effect, and provides coverage as may be required by applicable Regulation and by any and all Contracts to which the Target or any of its Subsidiaries is a party, except where the failure to provide such coverage would not, individually or in the aggregate, have a Material Adverse Effect. To the knowledge of the Sellers, there is no Default under any such coverage nor, to the knowledge of the Sellers, has there been any failure to give notice or present any material claim under any such coverage in a due and timely fashion. There are no outstanding unpaid material amounts of premiums (other than those not yet due and payable) except in the ordinary course of business and no notice of cancellation or nonrenewal of the Target or any such coverage has been received. Except as set forth in Schedule 4.22, there are no provisions in such insurance policies for retroactive or retrospective premium adjustments that have not been fully provided in the Closing Financial Statements. Except as set forth in Schedule 4.22, all products liability, general liability and workers' compensation insurance policies maintained by the Target or any of its Subsidiaries during the three (3) year period prior to the Closing have been occurrence policies and not claims made policies. Except for performance bonds obtained in the ordinary course of the Business, there are no outstanding performance bonds in any material amounts covering or issued for the benefit of the Target or any of its Subsidiaries. To the knowledge of the Sellers, there are no facts particular to the Target and its Subsidiaries upon which an insurer would be justified in reducing coverage or increasing premiums in any material amounts on existing policies or binders. Except as set forth in Schedule 4.22, no insurer has advised the Target or any of its Subsidiaries that it intends to reduce coverage, increase premiums in any material amounts or fail to renew any existing policy or binder, with respect to which such insurer has not acted.

4.23 ACCOUNTS RECEIVABLE. The accounts receivable reflected on the balance sheet contained in the Most Recent Month End Financial Statements, and all accounts receivable arising since June 30, 1996, represent bona fide claims of the Target and its Subsidiaries against debtors for sales, services performed or other charges arising on or before the date hereof, and, to the knowledge of the Sellers, all the goods delivered and services performed which gave rise to said accounts were delivered or performed in all material respects in accordance with the applicable orders, Contracts or customer requirements. To the knowledge of the Sellers, all accounts receivable in excess of \$100,000 shall be subject to no defenses, counterclaims or rights of setoff, except to the extent of the appropriate reserves for bad debts on accounts receivable as set forth on the Closing Balance Sheet.

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4.24 PAYMENTS. To the knowledge of the Sellers, neither the Target nor any of its Subsidiaries has, (i) directly or indirectly, paid or delivered any fee, commission or other sum of money or item or property, however characterized, to any finder, agent, client, customer, supplier, government official or other party, in the United States or any other country, which is in any manner related to the Business, Assets or operations of the Target or any of its Subsidiaries, which is, or may be with the passage of time or discovery, illegal under any federal, state or local laws of the United States (including without limitation the U.S. Foreign Corrupt Practices Act) or any other country having jurisdiction; (ii) illegally participated in any boycotts or other similar practices affecting any of its actual or potential customers, or (iii) established or maintained any unrecorded fund or asset for any purpose or made any false entries on the Books and Records of the Target or such Subsidiary for any reason. In addition, the Target or any of its Subsidiaries (a) has complied with all applicable laws relating to employee and civil rights and relating to employment opportunities, (b) filed in a timely manner all reports or documents it was required to file (and the information contained therein was correct and complete in all respects) under all applicable laws, (c) has possession of all records and documents it was required to retain under all applicable laws and (d) has not violated in any respect or received a notice or charge asserting any violation of the Sherman Act, the Clayton Act, the Robinson-Patman Act, the Federal Trade Commission Act, the Securities Act or the Securities Exchange Act of 1934, each as amended, except in the case of each of clauses (a), (b), (c) and (d) above, when such failure would not have a Material Adverse Effect.

4.25 CURRENT INACTIVE SUBSIDIARIES OF THE TARGET. None of the "current inactive subsidiaries of the Target" set forth in Schedule 4.2(a) hereto have any assets, any Liabilities or any creditors.

4.26 CUSTOMERS, DISTRIBUTORS AND SUPPLIERS. Schedule 4.26 sets forth a complete and accurate list of the names and addresses of (i) the ten largest customers of the Target and each of its Subsidiaries, showing the approximate



total sales in dollars by the Target and each such Subsidiary to each such customer during the fiscal year most recently ended; (ii) ten largest suppliers of the Target or any of its Subsidiaries, showing the approximate total purchases in dollars by the Target and each such Subsidiary from each such supplier during such fiscal year; and (iii) all S Agents of the Target and each of its Subsidiaries. Except as set forth in Schedule 4.26, since June 30, 1996, there has been no adverse change in the business relationship of the Target or any of its Subsidiaries with any customer, supplier or S Agent named in Schedule 4.26 which, individually or in the aggregate, would have a Material Adverse Effect and neither the Target nor any of its Subsidiaries has received any communication from any customer, supplier or S Agent named in Schedule 4.26 of any intention to terminate or materially reduce purchases from or supplies or services to the Target or any of its Subsidiaries.

4.27 COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth in Schedule 4.27:

(a) FACILITIES. The Facilities are, and at all times during the ownership, operation or occupancy of any Corporation have been, and all Former Facilities were at all times when owned, leased or operated by any Corporation, owned, leased and operated in compliance with all applicable Environmental Laws and in a manner which would not cause an Environmental Condition, where such non-compliance or Environmental Condition would have a Material Adverse Effect. Without limiting the foregoing, (i) there is not and has not been any Hazardous Substance used, generated, treated, stored, transported, disposed of, handled or otherwise existing on, under, about or emanating from any

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Facility or any Former Facility as a result of any act or omission of any Corporation, except for quantities of any such Hazardous Substances used, generated, treated, stored, transported, disposed of, handled, or otherwise held on, under or about any such Facility by any Corporation in full compliance with all applicable Environmental Laws, where such non-compliance would have a Material Adverse Effect, (ii) each Corporation has at all times used, generated, treated, stored, transported, disposed of or otherwise handled its Hazardous Substances in compliance with all applicable Environmental Laws and in a manner which would not cause an Environmental Condition, where such non-compliance or Environmental Condition would have a Material Adverse Effect; and (iii) there is not now and has not been at any time during the ownership, operation or occupancy of any Corporation any underground or above-ground storage tank or pipeline at any Facility or Former Facility where the installation, use, maintenance, repair, testing, closure or removal of such tank or pipeline by any Corporation was not in compliance with all applicable Environmental Laws, where such non-compliance would have a Material Adverse Effect, and there has been no Release from any such tank or pipeline during the ownership, operation, or occupancy of any Corporation, where such Release would have a Material Adverse Effect.

(b) NOTICE OF VIOLATION. To the knowledge of the Sellers, no Corporation has received any notice of alleged, actual or potential responsibility for, or any inquiry or investigation regarding, (i) any Release or threatened Release of any Hazardous Substance at any location, or (ii) any Environmental Conditions, or (iii) an alleged violation of, or non-compliance with, any Environmental Law.

(c) PRE-CLOSING ENVIRONMENTAL MATTERS. There are no Pre-Closing Environmental Matters which would have a Material Adverse Effect.

(d) ENVIRONMENTAL AUDITS OR ASSESSMENTS. True, complete and correct copies of the written reports, and all parts thereof, of all environmental audits or assessments which have been conducted at any Facility or Former Facility within the past five years by or on behalf of the Target or any of its Subsidiaries or of which any Seller otherwise has known, have been made available to Buyer and a list of all such reports, audits and assessments and any other similar report, audit or assessment of which any Seller has knowledge is included in Schedule 4.27(d).

(e) INDEMNIFICATION AGREEMENTS. Other than agreements (including without limitation, leases) entered into in the ordinary course of business, to the knowledge of the Sellers, no Corporation is a party, whether as a direct signatory or as successor, assign or third party beneficiary, or otherwise bound, to any Contract (excluding insurance policies disclosed on the Disclosure Schedule) under which such Corporation is obligated by or entitled to the benefits of, directly or indirectly, any representation, warranty, indemnification, covenant, restriction or other undertaking concerning Environmental Conditions known to any Corporation.

(f) RELEASES OR WAIVERS. To the knowledge of the Sellers, other than agreements entered into in the ordinary course of business (including, without limitation, leases), no Corporation is a party to an agreement under which such Corporation has released any other Person from any Liability to the Corporation under any Environmental Laws for any Environmental Condition.

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(g) NOTICES, WARNINGS AND RECORDS. Each Corporation has given all notices and warnings, made all reports, and has kept and maintained all records required by and in compliance with all applicable Environmental Laws where such non-compliance would have a Material Adverse Effect.

4.28 BANKING RELATIONSHIPS. Schedule 4.28 sets forth a complete and accurate description of all arrangements that the Target or any of its Subsidiaries has with any banks, savings and loan associations or other financial institutions providing for checking accounts, safe deposit boxes, and certificates of deposit, indicating in each case account numbers, if



applicable, and the person or persons authorized to act or sign on behalf of the Target and each such Subsidiary in respect of any of the foregoing.

4.29 INTERCOMPANY LOANS. Other than MCS (as defined in the InterCompany Agreement) related intracompany trading and except as set forth in Schedule 4.29, since June 30, 1996, neither the Target nor any of its Subsidiaries has entered into any Contract relating to intercompany indebtedness between or among the Target and its Subsidiaries and/or LIW and/or any affiliate of LIW (other than the Target or its Subsidiaries).

4.30 MATERIAL MISSTATEMENTS OR OMISSIONS. No representations or warranties by any of the Sellers in this Agreement, nor any exhibit, appendix, certificate or schedule heretofore or hereinafter furnished to Buyer pursuant hereto, or in connection with the transactions contemplated hereby, including without limitation the Disclosure Schedule, contains any untrue statement of a material fact, or omits to state any material fact necessary to make the statements or facts contained therein not misleading.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF THE SELLERS WITH RESPECT TO THE SELLERS AND THE SELLERS' SUBSIDIARIES

The Sellers hereby, jointly and severally, represent and warrant to Buyer as follows (except as otherwise set forth in the numbered section of the Disclosure Schedule corresponding to the Sections of this Article to which such exception pertains), which representations and warranties are, as of the date hereof, true and correct:

5.1 ORGANIZATION OF THE SELLERS. (a) Each Seller is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation with full power and authority to conduct its business as it is presently being conducted and to own and lease its properties and assets. Copies of the Certificates or Articles of Incorporation and Bylaws or other organizational documents of each of the Sellers, and all amendments thereto, heretofore delivered to Buyer are accurate and complete as of the date hereof.

(b) Schedule 5.1(b) hereof sets forth a complete and accurate list of the all of the holders of capital stock of each Seller and the number of share of such capital stock held by such holder. All of

the outstanding shares of capital stock of each Seller are duly authorized, validly issued, fully paid and non-assessable. Except as set forth in Schedule 5.1(b), there are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) any Seller or any securities convertible into or exchangeable for shares of capital stock or other securities issued by (or other ownership interests in) any Seller or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) any Seller. None of the Sellers have granted any rights or options to purchase any such shares, made any payment of dividends in cash or otherwise or any other distribution on account of the capital stock of any Seller. Except as set forth in Schedule 5.1(b) there are no pledges for any purpose of the capital stock of any of the Sellers or any of the Sellers' Subsidiaries.

5.2 SUBSIDIARIES. Except as set forth in Schedule 5.2, there are no Sellers' Subsidiaries which are operating companies or which have assets in excess of \$500,000.

5.3 AUTHORIZATION. Each of the Sellers has all requisite corporate power and authority to own, lease and operate its assets and to conduct its business as it is presently being conducted. Each Seller has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery by each Seller of this Agreement and the Ancillary Agreements to which it is a party and the consummation by each Seller of the transactions contemplated hereby and thereby have been duly approved by the board of directors and, to the extent required under applicable corporate laws, shareholders of such Seller. No other proceedings or actions on the part of any Seller is necessary to authorize this Agreement and the Ancillary Agreements to which it is a party and the transactions contemplated hereby and thereby. This Agreement and each of the Ancillary Agreements to which any Seller is a party have been duly executed and delivered by such Seller and each such agreement is a legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and (ii) general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

5.4 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Schedule 5.4:

(a) since June 30, 1996, there has not been any increase in any credit facility or other bank or similar debt instrument of any of the Sellers or any of the Sellers' Subsidiaries;

(b) since December 31, 1995, except for the LIW Promissory Note, there has not been any incurrence of indebtedness by any Seller for borrowed money or commitment to borrow money entered into by any Seller, or any loans made or agreed to be made by any of the Sellers, or indebtedness guaranteed by any of the Sellers, in excess of \$100,000 for any single item (or series of similar items with the same party);

(c) since December 31, 1995, except Liabilities incurred in connection with the consummation of the transactions contemplated hereby, there has not been any incurrence by any Seller of Liabilities, except Liabilities incurred in the ordinary course of business of such Seller and not in

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excess of \$250,000 for any single item (or series of similar items), or increase or change in any assumptions underlying or methods of calculating, any doubtful account contingency or other reserves of any Seller;

(d) since December 31, 1995, there has not been any failure to pay or satisfy when due any Liability of any Seller, except where the failure would not have a Seller Material Adverse Effect;

(e) agreement by any Seller to do any of the things described in the preceding clauses (a) through (d) other than as expressly provided for herein.

5.5 CONSENTS. Except as disclosed in Schedule 5.5 hereto, no notice to, declaration, filing or registration with, or Permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is required to be made or obtained by any Seller in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby, the failure of which would, individually or in the aggregate, have a Seller Material Adverse Effect. Except as set forth on Schedule 5.5, none of the rights of any Seller in its contracts or permits will be impaired by reason of the consummation of the transactions contemplated by this Agreement.

5.6 NO CONFLICT OR VIOLATION. Except as set forth in Schedule 5.6, neither the execution, delivery or performance of this Agreement or the Ancillary Agreements nor the consummation of the transactions contemplated hereby or thereby, nor compliance by any Seller or any of the Sellers' Subsidiaries with any of the provisions hereof, will (a) violate any provision of the Articles of Incorporation or Bylaws or other organizational documents of any Seller or any of the Sellers' Subsidiaries, (b) violate or result in or constitute a Default under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any encumbrance upon any

of the assets under, any of the terms, conditions or provisions of any contract or permit (i) to which any Seller or any of the Sellers' Subsidiaries is a party or (ii) by which its assets are bound, (c) violate any Regulation or Court Order, except in the cases of each of clauses (b) and (c) above, for such violations, Defaults, terminations, accelerations or creations of encumbrances which, individually and in the aggregate, would not have a Seller Material Adverse Effect.

5.7 FINANCIAL STATEMENTS. The Sellers have heretofore delivered to Buyer true and complete copies of the pro-forma financial statements for Holdings One and its subsidiaries for the year ended December 31, 1995. Such financial statements (a) are in accordance in all material respects with the books and records of Holdings One and its subsidiaries, (b) have been prepared in accordance with generally accepted accounting principles in the United Kingdom consistently applied throughout the period covered thereby and (c) after giving effect to the adjustments specified therein, fairly and accurately present in all material respects (i) the combined assets, liabilities (including all reserves) and financial position of Holdings One and its subsidiaries, (ii) the combined results and operations of Holdings One and its subsidiaries for the period presented and (iii) the combined cash flows of Holdings One and its subsidiaries for the period presented.

5.8 LITIGATION. Except as set forth in Schedule 5.8, there are no Actions, individually or in the aggregate, involving more than \$250,000 pending, or to the knowledge of the Sellers, threatened

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which, if determined adversely to any Seller, could reasonably be expected to delay, limit or enjoin the transactions contemplated by this Agreement or which would otherwise, individually or in the aggregate, have a Seller Material Adverse Effect. To the knowledge of the Sellers, no Seller is in Default with respect to or subject to any judgment, order, writ, injunction or decree of any court or governmental agency and there are no unsatisfied judgments against any Seller, its business or its assets. To the knowledge of the Sellers, no Person has served any Seller with a written demand (that has not been satisfied) for an indebtedness exceeding seven hundred and fifty pounds (U.K.). To the knowledge of Sellers, there is not a reasonable likelihood of an adverse determination of any pending Actions that could, individually or in the aggregate, have a Seller Material Adverse Effect.

5.9 LABOR MATTERS. Schedule 5.9 sets forth the names and current annual salary rates or current hourly wages of all present employees of any Seller or any of the Seller Subsidiaries whose annual salary (exclusive of bonus and benefits) for the 1995 calendar year exceeded \$200,000.

5.10 LIABILITIES. Except as set forth in Schedule 5.10, the Sellers, taken on a consolidated basis, including all of the Sellers' Subsidiaries

have no Liabilities due or to become due, except (a) Liabilities which are reflected and reserved against on the pro-forma financial statements of LIW and the Sellers' Subsidiaries dated December 31, 1995 , which have not been paid or discharged since the date thereof, (b) Liabilities hereunder and under the Ancillary Agreements and (c) Liabilities arising in the ordinary course of business, none of which, individually or in the aggregate, would have a Seller Material Adverse Effect.

5.11 COMPLIANCE WITH LAW. Each Seller and the conduct of such Seller's business have not violated and are in compliance with all Regulations and Court Orders relating to the assets or the business or operations of each such Seller, except where the violation or failure to comply, individually or in the aggregate, would not have a Seller Material Adverse Effect.

5.12 NO OTHER AGREEMENTS TO SELL THE ASSETS. Except as set forth in Schedule 5.12, none of the Sellers has any outstanding commitment or legal obligation, absolute or contingent, or is bound in any way, to any other Person other than Buyer to sell, assign, transfer or effect a sale of a material portion of its assets (other than inventory in the ordinary course of business), to sell or effect a sale of the capital stock of any Seller or any of the Sellers' Subsidiaries, to effect any merger, consolidation, liquidation, dissolution or other reorganization of any Seller or any of the Sellers' Subsidiaries, or to enter into any agreement or cause the entering into of an agreement with respect to any of the foregoing, except in each case with respect to non-operating Sellers' Subsidiaries.

5.13 TRANSACTIONS WITH CERTAIN PERSONS. No officer, director or employee of any Seller nor any member of any such person's immediate family is presently, or has been at any time since January 1, 1996, a party to any transaction with any Seller relating to any Seller's business, including without limitation, any contract, agreement or other arrangement (a) providing for the furnishing of services by, (b) providing for the rental of real or personal property from, or (c) otherwise requiring payments to (other than for services as officers, directors or employees of such Seller) any such person or corporation, partnership, trust or other entity in which any such person has an interest as a shareholder, officer, director, trustee or partner, other than contracts, agreements and arrangements for fair consideration upon arms-length terms.

5.14 PAYMENTS. To the knowledge of the Sellers, no Seller has, (i) directly or indirectly, paid or delivered any fee, commission or other sum of money or item or property, however characterized, to any finder, agent, client, customer, supplier, government official or other party, in the United States or any other country, which is in any manner related to the business, assets or operations of any Seller, which is, or may be with the passage of time (under currently existing Regulations) or discovery, illegal under any

federal, state or local laws of the United States (including without limitation the U.S. Foreign Corrupt Practices Act) or any other country having jurisdiction; (ii) illegally participated in any boycotts or other similar practices affecting any of its actual or potential customers, or (iii) established or maintained any unrecorded fund or asset for any purpose or made any false entries on the books and records of such Seller for any reason.

5.15 PROJECTIONS. To the knowledge of the Sellers, the financial projections, business plans and budgets prepared and previously delivered to Buyer, and attached hereto as Exhibit A, with respect to the restructuring of LIW and certain of the Sellers' Subsidiaries were prepared in good faith based upon assumptions which Sellers reasonably believed at the time of preparation thereof to be reasonable and which Sellers have no reason to believe have become, with the passage of time, no longer reasonable.

5.16 SOLVENCY. No Seller is after giving effect to the transactions contemplated by this Agreement (x) insolvent or (y) left with unreasonably small capital with which to engage in its business as contemplated pursuant to the transactions hereby, and no Seller has, or will after giving effect to the transactions contemplated by this Agreement, incurred debts beyond its ability to pay such debts as they mature. The total value of the Sellers' assets (both individually and taken as a whole, including for such purpose, their subsidiaries) is and will be after giving effect to the transactions contemplated hereby, greater than the total Liabilities of such Sellers.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Sellers as follows, which representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct:

6.1 ORGANIZATION OF BUYER. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which such qualification is necessary under the applicable law as a result of the conduct of its business or the ownership (or leasing) of its properties, except where the failure to be so qualified or in good standing would not have a material adverse effect on Buyer or its ability to perform its obligations hereunder or under any of the Ancillary Agreements to which it is a party.

6.2 AUTHORIZATION. Buyer has all requisite corporate power and authority, and has taken all corporate action necessary, to execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to consummate the transactions contemplated hereby and thereby and to perform its

obligations hereunder and thereunder. The execution and delivery by Buyer of this Agreement and the Ancillary Agreements to which it is a party and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly approved by the board of directors and stockholder of Buyer. No other corporate proceedings or actions on the part of Buyer are necessary to authorize this Agreement and the Ancillary Agreements to which it is a party and the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to which Buyer is a party have been duly executed and delivered by Buyer, and are legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

6.3 NO BROKERS. Neither Buyer nor any of its subsidiaries nor any of their respective officers, directors, employees, shareholders or affiliates has employed any broker, finder, advisor or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to a broker's, finder's, or similar fee or commission in connection therewith or upon the consummation thereof, other than William E. Myers & Company, the fees of which will be paid by Buyer.

6.4 NO CONFLICT OR VIOLATION. Neither the execution, delivery or performance of this Agreement or the Ancillary Agreements, nor the consummation of the transactions contemplated hereby or thereby, nor compliance by the Buyer with any of the provisions hereof, will (a) violate any provision of the Certificate of Incorporation or Bylaws of the Buyer, (b) violate or result in or constitute a default under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation or any Encumbrance upon any of the assets under, any of the terms, conditions or provisions of any contracts or permit (i) to which the Buyer is a party or (ii) by which its assets are bound, (c) violate any Regulation or Court Order or (d) impose any Encumbrance on any of the assets or the business of Buyer, except for permitted encumbrances, except in the cases of each of clauses (b), (c) and (d) above, for such violations, defaults, terminations, accelerations, or creations of Encumbrances which, individually or in the aggregate, would not have a material adverse effect on Buyer or its ability to perform its obligations hereunder or under any of the Ancillary Agreements to which it is a party.

6.5 CONSENTS AND APPROVALS. Other than in connection with or in compliance with the provisions of the HSR Act, no notice to, declaration, filing or registration with, or permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is



required to be made or obtained by Buyer in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby.

6.6 LITIGATION. There are no Actions, individually or, if relating to a single set of circumstances, in the aggregate, involving in excess of \$50,000, pending or, to Buyer's knowledge, threatened or anticipated, which, if determined adversely to Buyer could reasonably be expected to delay, limit or enjoin the transactions contemplated by this Agreement or the Ancillary Agreements to which it is a party or which would otherwise, individually or in the aggregate, have a material adverse effect on the Buyer or its ability to perform its obligations hereunder or under any of the Ancillary Agreements to which it is a party.

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6.7 INVESTMENT INTENT. Buyer is an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, as amended (the "SECURITIES ACT") and is acquiring all of the issued and outstanding capital stock of the Target solely for its own account for purposes of investment and not with a view to any resale or distribution thereof in violation of applicable securities laws. Buyer acknowledges that the issued and outstanding capital stock of the Target has not been registered under the Securities Act or any applicable state securities law. Buyer is experienced and capable of analyzing and evaluating the merits and results of investments in the Target, or has been and will be advised as to such investment by persons who have such knowledge and experience and are independent of the Sellers. Buyer acknowledges that it has been furnished with or provided access to such information regarding the Business, the Target and the Target's Subsidiaries as Buyer has requested; PROVIDED, HOWEVER, that notwithstanding anything to the contrary contained herein, Buyer shall not be deemed in any way to have waived its ability to rely on the representations and warranties of the Sellers contained herein through its acknowledgement of the foregoing.

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## ARTICLE VII

### COVENANTS OF SELLERS, THE TARGET AND BUYER

The Sellers and Buyer each covenant with each other as follows:

7.1 FURTHER ASSURANCES. Upon the terms and subject to the conditions



contained herein, the parties agree (i) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, (ii) to execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder, and (iii) to cooperate with each other in connection with the foregoing. Without limiting the foregoing, the parties agree to use their respective reasonable efforts (A) to obtain all necessary waivers, consents and approvals from other parties to the Contracts and Permits; PROVIDED, HOWEVER, that none of the Sellers, the Target or Buyer shall be required to make any payments, commence litigation or agree to modifications of the terms thereof in order to obtain any such waivers, consents or approvals, (B) to obtain all necessary Permits as are required to be obtained under any Regulations, (C) to give all notices to, and make all registrations and filings with, third parties, including without limitation submissions of information requested by governmental authorities, (D) to defend all Actions challenging this Agreement or the consummation of the transactions contemplated hereby, (E) to lift or rescind any injunction or restraining order or other Court Order adversely affecting the ability of the parties to consummate the transactions contemplated hereby and (F) to fulfill all conditions to this Agreement.

## 7.2 BUYER'S RIGHT OF FIRST REFUSAL IN ACQUISITION TRANSACTION INVOLVING THE SELLERS OR THE SELLERS' SUBSIDIARIES.

(a) NOTICE OF INTENT. If at any time from the Closing Date until the seventh anniversary of the Closing Date, the Sellers or any of the Sellers' Subsidiaries or any of their respective officers, directors, employees or Representatives (including, without limitation investment bankers, attorneys and accountants) proposes to enter into an agreement to (i) sell, assign or otherwise transfer all or substantially all of (A) the assets of any of the Sellers or any of the Sellers' Subsidiaries or (B) the shares of capital stock of any of the Sellers (other than LIW) or any of the Sellers' Subsidiaries, or (ii) merge, consolidate, liquidate, dissolve or consummate any other similar transaction with respect to any of the Sellers or any of the Sellers' Subsidiaries except, in each case with respect to the liquidation or dissolution of any non-operating Seller Subsidiary (each of the transactions set forth in clauses (i) and (ii) above being referred to herein as an "ACQUISITION TRANSACTION"), then the Sellers shall deliver written notice of the Acquisition Transaction (a "NOTICE OF INTENT"), accompanied by a copy of the proposal relating to such Acquisition Transaction (the "ACQUISITION PROPOSAL"), to Buyer, setting forth which of the Sellers or the Sellers' Subsidiaries will be subject to such Acquisition Transaction, the number of shares of capital stock or the particular assets to be sold or otherwise transferred in such Acquisition Transaction (the "OFFERED ITEMS"), the price at which the Offered Items will be sold or otherwise transferred pursuant to the Acquisition Transaction (the "OFFER PRICE") and any other terms and conditions material to the Acquisition Transaction (the "RELEVANT TERMS").

(b) NOTICE OF EXERCISE. Upon receipt of the Notice of Intent, Buyer shall have the right to purchase at the Offer Price all, but not less than all, of the Offered Items upon terms substantially similar to the Relevant Terms (it being understood that if any terms would be impossible or commercially impracticable for Buyer to match, Buyer shall be given the opportunity to exercise its option as set forth herein on other terms so long as the benefit to the applicable selling party is substantially the same, when taken as a whole, as the Relevant Terms), exercisable by the delivery of notice to LIW (the "NOTICE OF EXERCISE"), within forty-five (45) calendar days from the date of receipt of the Notice of Intent. The right of Buyer pursuant to this Section 7.2 shall terminate if not exercised within forty-five (45) calendar days after receipt by Buyer of the Notice of Intent.

If the Offer Price, or a portion of the Offer Price, involves consideration other than cash, Buyer shall (subject to agreement by Buyer and the Sellers with respect to reasonable registration rights for the Sellers if securities are issued to the Sellers as provided below) have the right to purchase the Offered Items for (A) a cash amount equal to the sum of the portion of such consideration which is cash plus (B) at Buyer's election, either (i) the amount of ILL stock the fair market value of which (as determined by Houlihan, Lokey, Howard & Zukin, Inc. or another independent appraiser mutually agreed upon by Buyer and LIW) at such time is equal to the "Cash Value" of the non-cash consideration, (ii) an amount in cash equal to the "Cash Value" of the non-cash consideration or (iii) any combination of the compensation set forth in clauses (i) or (ii) above. For purposes of this Section 7.2, "Cash Value" shall mean, in the case of securities which are quoted on NASDAQ or any securities exchange, an amount equal to the last reported sales price on such exchange for such securities on the date of the Notice of Intent and, in the case of securities or other property for which there is no such readily available market price, an amount equal to the fair market value of such securities or other property as determined in good faith by an investment bank or other entity mutually agreeable to Buyer and LIW in their reasonable discretion.

(c) OBLIGATION TO SELL. In the event that Buyer exercises its rights to purchase the Offered Items in accordance with Section 7.2(b), then Buyer shall have an irrevocable obligation to purchase, and Sellers shall sell the Offered Items after not less than sixty (60) and not more than ninety (90) calendar days from the date of the delivery of the Notice of Exercise, or by such other date as shall be mutually agreeable to Buyer and the Sellers.

(d) COMPLETION OF ACQUISITION TRANSACTION. If (a) all notices required to be given pursuant to Section 7.2(a) have been duly given and (b) Buyer has not delivered the Notice of Exercise within the applicable time period, then the selling party shall have the right, for a period of ninety (90) calendar days from the earlier of (i) the expiration of the period pursuant to Section 7.2(b) in which Buyer can deliver the Notice of Exercise

with respect to such Acquisition Transaction, or (ii) the date on which Buyer notifies LIW that it will not exercise the right of first refusal granted pursuant to Section 7.2(b), to sell to a third party the Offered Items upon the Relevant Terms and otherwise in full compliance with any other applicable provisions of this Agreement; provided that any material deviation from the Relevant Terms must be disclosed to Buyer no less than fifteen (15) days prior to the closing of the Acquisition Transaction and Buyer shall, thereafter, be granted ten (10) days to deliver a Notice of Exercise and purchase at the Offer Price all, but not less than all, of the Offered Items upon terms substantially similar to the revised Relevant Terms.

(e) PERMITTED NEGOTIATIONS AND TRANSACTIONS. Notwithstanding anything to the contrary contained in this section 7.2, the Sellers shall be allowed (i) to negotiate and enter into agreements with

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third parties with respect to strategic alliances, without any actions required hereunder, in any of the following countries: Australia, Germany, Italy, Denmark, Sweden, Holland and New Zealand and (ii) to sell its assets and businesses to any third party without first offering to sell such assets and business to Buyer, to the extent such assets and businesses are located in Australia or New Zealand.

### 7.3 EMPLOYEE MATTERS.

(a) Nothing contained in this Agreement shall confer upon any employee of the Target or any of its Subsidiaries any right with respect to continuance of employment after the consummation of the transaction contemplated hereby, nor shall anything herein interfere with the right of Buyer to terminate the employment of any of the employees of the Target or any of its Subsidiaries at any time, with or without cause, or restrict Buyer in the exercise of its independent business judgment in modifying any of the terms and conditions of the employment of any such employees. Notwithstanding the foregoing, Buyer acknowledges that Sellers have advised Buyer of the collective bargaining agreements set forth in Schedule 4.13 and that Target and its Subsidiaries shall continue to be bound by such collective bargaining agreements.

(b) No provision of this Agreement shall create any third party beneficiary rights in any employee of the Target or any of its Subsidiaries, any beneficiary or dependents thereof, or any collective bargaining representative thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any employee of the Target or any of its Subsidiaries by Buyer or under any benefit plan which Buyer may maintain.

(c) Prior to the second anniversary of the Closing Date, no Seller

nor any affiliate of any Seller nor any Sellers Subsidiary shall, directly or indirectly, solicit for employment any key employee of the Target or any of its Subsidiaries whose employment is continued by Buyer after the Closing Date, unless Buyer first terminates the employment of such employee or gives its written consent to such employment or offer of employment.

7.4 USE OF PURCHASE PRICE AMOUNT. Each of the Sellers hereby agrees that it will use commercially reasonable efforts to use the amount of the Purchase Price (plus any further amounts received by the Stockholder pursuant to Section 2.3(b) or 2.3(c) of this Agreement) in the manner set forth in the plan of restructuring, attached hereto as Exhibit B. Any use of the amount of the Purchase Price (and any further amounts received by the Sellers pursuant to Section 2.3(b) or 2.3(c) of this Agreement) in a manner inconsistent with Exhibit B shall require the prior approval of all of the Buyer's nominees to the board of directors of LIW.

7.5 1995 YEAR END FINANCIAL STATEMENTS. Prior to the date hereof, the Sellers shall have delivered to Buyer the 1995 Year End Financial Statements. The 1995 Year End Financial Statements shall have been audited, with an explanatory paragraph, by Price Waterhouse at Sellers' expense and shall have been accompanied by an unqualified report to the effect that the 1995 Year End Financial Statements present fairly, in accordance with GAAP, the financial condition of the Target and its Subsidiaries for such period.

7.6 DISSOLUTION OF THE STOCKHOLDER. Within ninety (90) days after the Closing Date, the Sellers shall cause the Stockholder to be wound up and liquidated and any and all of its remaining assets to be distributed to its stockholders. Upon consummation of the transactions contemplated hereby, the Stockholder will have no assets (other than the proceeds of this transaction, which will be distributed to its shareholders). The Stockholder shall conduct no further business until its dissolution, winding up and liquidation and shall have sufficient assets to pay its creditors as such payments become due.

7.7 PAYMENT OF FLEET OBLIGATION. Concurrently with the Closing, Buyer shall cause the Target to retire the aggregate amount of the Fleet Obligation.

7.8 FRANCHISE MATTERS. Buyer acknowledges that it does not become a "franchisee" as such term is defined by the Federal Trade Commission and by applicable state franchise laws by virtue of the provisions of this Agreement or any of the Ancillary Agreements. Buyer hereby waives, to the extent permitted by applicable law, any protections to "franchisees" and rights to sue for damages as a "franchisee" that may be provided by any of the regulations promulgated by the Federal Trade Commission or under any applicable state franchise laws.

7.9 NAME CHANGES. Within sixty (60) days after the Closing Date, Buyer shall cause each of LEP Air, Inc., LEP Transport, Inc. and LEP Bloodstock, Inc. to change its name so as to no longer contain the word "LEP" in such name.

## ARTICLE VIII

### ACTIONS BY SELLERS AND BUYER AFTER THE CLOSING

#### 8.1 BOOKS AND RECORDS.

(a) The Sellers and Buyer agree that each will cooperate with and make available to the other party, during normal business hours, all Books and Records, information and Personnel (without substantial disruption of employment) retained and remaining in existence after the Closing Date that are necessary or useful in connection with any tax inquiry, audit, investigation or dispute, any litigation or investigation or any other matter requiring any such Books and Records, information or employees for any reasonable business purpose. The party requesting any such Books and Records, information or employees shall bear all of the out-of-pocket costs and expenses (including without limitation, attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing such Books and Records, information or employees.

(b) COOPERATION AND RECORDS RETENTION. The Sellers and Buyer shall (and Buyer shall cause Target and its Subsidiaries to) (i) each provide the other with such assistance as may reasonably be requested by any of them in connection with the preparation of any return, audit, or other examination by any taxing authority or judicial or administrative proceedings relating to Liability for Taxes, (ii) each retain and provide the other with any records or other information that may be relevant to such return, audit or examination, proceeding or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceeding, or determination that affects any amount required to be shown on any tax return of the other for any period. Without limiting the generality of the foregoing, Buyer and the Sellers shall each retain, until the applicable statutes of

limitations (including any extensions) have expired, copies of all tax returns, supporting work schedules, and other records or information that may be relevant to such returns for all tax periods or portions thereof ending on or before the Closing Date and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy the same.

8.2 SURVIVAL OF REPRESENTATIONS, ETC. All statements contained in the Disclosure Schedule or in any certificate, schedule, exhibit or instrument or conveyance delivered by or on behalf of the parties pursuant to this Agreement or in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the parties hereunder. The representations and warranties of the Sellers on the one hand and Buyer on the other hand contained herein and as provided in the preceding sentence shall survive the Closing Date until sixty days after the completion of the fiscal-year audit of the Target and its Subsidiaries for the second full year after the Closing Date (but shall in no event survive to a date later than April 15, 1998), PROVIDED, HOWEVER, that the representations and warranties contained in Section 4.19 and 4.21 shall continue to survive until sixty days after the expiration of the applicable statute of limitations period (giving effect to any waiver, tolling or extension thereof) and that the representations and warranties contained in Section 4.27 shall continue to survive until four (4) years after the Closing Date. The termination of the representations and warranties provided herein shall not affect the rights of a party in respect of any Claim made by such party in a writing received by the other party prior to the expiration of the applicable survival period provided herein.

### 8.3 INDEMNIFICATIONS.

(a) BY THE SELLERS. The Sellers shall jointly and severally indemnify, save and hold harmless Buyer, its affiliates and subsidiaries, and each of their respective Representatives (collectively, the "BUYER INDEMNIFIED PARTIES"), from and against any and all costs, losses, Liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, any clean-up, remedial correction or responsive action, damages to the environment, attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing (herein, "DAMAGES"), incurred in connection with, arising out of or resulting from (i) any breach of any representation or warranty or the inaccuracy of any representation made by the Sellers in or pursuant to this Agreement; (ii) any breach of any covenant or agreement made by the Sellers in or pursuant to this Agreement; (iii) any Liabilities or contingent Liabilities, whether arising prior to or after the Closing Date, related to, in connection with or arising out of the activities of the Sellers or any of the Sellers' Subsidiaries; (iv) any Liability with respect to the Discontinued Operations (except for Liabilities arising out of the operation of the Discontinued Operations after the Closing Date by the Buyer); (v) any Liabilities arising under any Environmental Law or concerning any Environmental Condition, occurring after the Closing Date and resulting from (A) any release or waiver by any Corporation of any other Person with respect thereto which is not disclosed in the Disclosure Schedule or (B) any representation, warranty, indemnification, covenant, restriction or other undertaking of any Corporation with respect thereto which is not disclosed in the Disclosure Schedule (except with respect to representations and warranties set forth in Section 4.27 of this Agreement, the Liabilities with respect to which will be indemnified against pursuant to the terms of Section



8.3(a)(i) above); (vi) any Liabilities arising out of any treatment of The National Guardian Corporation or any of its affiliates (other than the Target and its Subsidiaries) as an

ERISA Affiliate or the Target or any of its Subsidiaries; or (vii) any breach of any of the Ancillary Agreements by any of the Sellers or any of the Sellers' Subsidiaries.

The term "DAMAGES" as used in this Section 8.3 is not limited to matters asserted by third parties against any indemnified party, but includes Damages incurred or sustained by an indemnified party in the absence of third party claims. Payments by any indemnified party of amounts for which such indemnified party is indemnified hereunder shall not be a condition precedent to recovery. The rights and remedies provided in this Article VIII shall be exclusive as to any Damages incurred by a party under this Agreement; PROVIDED, HOWEVER, that nothing herein shall preclude a party from exercising its rights under this Agreement and applicable law to seek equitable remedies, including without limitation, specific performance and injunctions.

(b) BY BUYER. Buyer shall indemnify and save and hold harmless the Sellers and their respective affiliates and Representatives (collectively, the "SELLERS INDEMNIFIED PARTIES") from and against any and all Damages incurred in connection with, arising out of or resulting from (i) any breach of any representation or warranty or the inaccuracy of any representation made by Buyer in or pursuant to this Agreement; (ii) any breach of any covenant or agreement made by Buyer in or pursuant to this Agreement; (iii) any payments required to be made by any of the Sellers to Jeffrey A. Maddow pursuant to the guarantee by LIW of his severance agreement or (iv) any payments required to be made by any of the Sellers pursuant to the guarantee to Cargo Net Services Corporation of obligations of the Target and/or its Subsidiaries.

(c) COOPERATION. The indemnified party shall cooperate in all reasonable respects with the indemnifying party and its representatives (including without limitation its attorneys) in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; PROVIDED, HOWEVER, that the indemnified party may, at its own cost, participate in negotiations, arbitrations and the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The parties shall cooperate with each other in any notifications to insurers.

(d) DEFENSE OF CLAIMS. If a claim for Damages (a "CLAIM") is to be made by a party entitled to indemnification hereunder against the indemnifying party, the party claiming such indemnification shall, subject to Section 8.2 hereof, give written notice (a "CLAIM NOTICE") to the indemnifying party as soon as practicable after the party entitled to

indemnification becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 8.3. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event within five (5) calendar days after the service of the citation or summons). The failure of any indemnified party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, if the indemnifying party shall acknowledge in writing to the indemnified party that the indemnifying party shall be obligated under the terms of its indemnity hereunder in connection with such lawsuit or action, then the indemnifying party shall be entitled, if it so elects at its own cost, risk and expense, (i) to take control of the defense and investigation of such lawsuit or action, (ii) to employ and engage attorneys of its own choice to handle and defend the same unless the named parties to such action or proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party has been advised in writing

by counsel that there may be one or more legal defenses available to such indemnified party that are different from or additional to those available to the indemnifying party, in which event the indemnified party shall be entitled, at the indemnifying party's cost, risk and expense, to separate counsel of its own choosing, and (iii) to compromise or settle such lawsuit or action, which compromise or settlement shall be made only with the written consent of the indemnified party, such consent not to be unreasonably withheld. If the indemnifying party fails to assume the defense of such lawsuit or action within fifteen (15) calendar days after receipt of the Claim Notice, the indemnified party against which such lawsuit or action has been asserted will (upon delivering notice to such effect to the indemnifying party) have the right to undertake, at the indemnifying party's cost and expense, the defense, compromise or settlement of such lawsuit or action on behalf of and for the account and risk of the indemnifying party; PROVIDED, HOWEVER, that such lawsuit or action shall not be compromised or settled without the written consent of the indemnifying party, which consent shall not be unreasonably withheld. If the indemnified party settles or compromises such lawsuit or action without the written consent of the indemnifying party, the indemnifying party shall not have any liability hereunder for or with respect to such lawsuit or action. In the event the indemnified party assumes the defense of the lawsuit or action, the indemnified party will keep the indemnifying party reasonably informed of the progress of any such defense, compromise or settlement. The indemnifying party shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 8.3 and for any final judgment (subject to any right of appeal), and the indemnifying party agrees to indemnify and



hold harmless an indemnified party from and against any Damages by reason of such settlement or judgment.

(e) **BROKERS AND FINDERS.** No agent, broker, investment banker, financial advisor or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated hereby other than William E. Myers & Company (the fees of which will be paid by Buyer). Each party hereto agrees to hold the other parties hereto harmless from and against any and all claims, liabilities or obligations with respect to any such fee or commission or expenses related thereto asserted by any Person (i) with respect to any such fee or commission or expenses related thereto or (ii) on the basis of any act or statement alleged to have been made by any party hereto or any of their respective representatives or affiliates.

(f) **REPRESENTATIVES.** No individual Representative of any party shall be personally liable for any Damages under the provisions contained in this Section 8.3. Nothing herein shall relieve either party of any Liability to make any payment expressly required to be made by such party pursuant to this Agreement.

(g) **LIMITATION ON INDEMNITY/COMMITMENTS.**

(i) The indemnification obligation of the parties hereto with respect to any breach of any representation or warranty pursuant to Sections 8.3(a) or (b) shall be limited to Claims for Damages made prior to last date of survival thereof referred to in Section 8.2. The indemnification obligation of the parties hereto with respect to any breach of any covenant or agreement pursuant to Sections 8.3(a) or (b) shall survive indefinitely subject to the terms of this Agreement.

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(ii) Buyer may not recover Damages from the Sellers pursuant to Section 8.3(a)(i) until the aggregate amount of Damages relating to such Claims for which Buyer is seeking indemnification exceeds two hundred and fifty thousand dollars (\$250,000); PROVIDED, HOWEVER, in the event that the aggregate amount of Damages for which Buyer is seeking indemnification exceeds such amount, Buyer may recover the full amount of such Damages less \$250,000. Notwithstanding the foregoing, the maximum amount of damages for which the Sellers shall be liable pursuant to this Section 8.3 shall be twenty-eight million dollars (\$28,000,000), plus or minus the amount of any post-Closing adjustment as set forth in Section 2.3 hereof.

(iii) No Seller may recover Damages from Buyer pursuant to Section 8.3(b)(i) until the aggregate amount of Damages for which such Seller is seeking indemnification exceeds two hundred and fifty thousand dollars (\$250,000); PROVIDED, HOWEVER, in the event that the aggregate

amount of Damages for which such Seller is seeking indemnification exceeds such amount, such Seller may recover the full amount of such Damages less \$250,000. Notwithstanding the foregoing, the maximum amount of damages for which Buyer shall be liable pursuant to this Section 8.3 shall be twenty-eight million dollars (\$28,000,000), plus or minus the amount of any post-Closing adjustment as set forth in Section 2.3 hereof.

(iv) Neither (a) the termination of the representations or warranties contained herein, nor (b) the expiration of the indemnification obligations described above, will affect the rights of a Person in respect of any Claim made by such Person received by the indemnifying party prior to the expiration of the applicable survival period provided herein.

(e) ESCROW AGREEMENT. Notwithstanding the foregoing, subject to the terms and conditions of the Escrow Agreement, Claims for indemnification against any Seller pursuant to this Section 8.3 shall first be satisfied from the Escrow Amount and, after the Escrow Amount has been exhausted, shall be recovered directly from the Sellers.

8.4 INSURANCE. Buyer shall cause the Target to purchase for three (3) years after the Closing Date insurance covering all of North America, issued by one or more insurance carriers, evidencing fully paid and non-cancelable Directors & Officers liability insurance coverage with respect to claims arising out of events or occurrences on or prior to the Closing Date (whether or not reported), in the amount of five million dollars (\$5,000,000) and at a cost of \$67,500 (which amount will be reflected as a Liability on the Closing Balance Sheet).

## ARTICLE IX

### TAX MATTERS

9.1 RETURNS. The Sellers and the Target shall have the exclusive obligation and authority to file or cause to be filed all Tax returns that are required to be filed by or with respect to the income, assets (including, without limitation, real, personal and intangible property) or operations of the Target or its Subsidiaries for all taxable years or other taxable periods ending on or prior to the Closing Date (the "PRE-CLOSING PERIODS"). Except as provided in the preceding sentence, Buyer shall have the exclusive obligation and authority to file or cause to be filed all Tax returns that are required to be filed by or with respect to the income, assets (including, without limitation, real, personal and intangible

property) or operations of the Target or any of its Subsidiaries or any successor thereto. No later than 30 days prior to the due date (or any later date to which such due date has been legally extended) for the filing of any Tax return with respect to any taxable year or other taxable period of the Target and its Subsidiaries beginning on or before the Closing Date and

ending after the Closing Date (an "OVERLAP PERIOD"), Buyer shall (a) provide the Sellers with written notice, which notice shall set forth Buyer's calculations regarding the amount of Taxes for which Buyer determines the Sellers are obligated to reimburse Buyer pursuant to Section 9.3(a) in sufficient detail and particularity to enable the Sellers to verify the amount of such Taxes for which the Sellers are obligated to reimburse Buyer, (b) provide the Sellers with a draft of such Tax return, and (c) provide the Sellers access to all records of the Target and its Subsidiaries reasonably necessary to enable the Sellers and their representatives to evaluate the draft Tax returns provided with such notice. No later than 10 days prior to the due date (or any later date to which such due date has been legally extended) for the filing of such Tax return, the Sellers shall notify Buyer of any objections the Sellers may have to Buyer's calculations regarding the amount of such Taxes and to any items set forth in such draft Tax return. Buyer and the Sellers agree to consult and resolve in good faith any such objection. In the event that Buyer and the Sellers are not able to resolve such dispute within seven days of the filing date of such Tax return, the parties shall appoint Ernst & Young, LLP to resolve such dispute as soon as shall be practicable after such appointment. The fees and expenses of Ernst & Young, LLP, if any, shall be paid equally by Buyer and LIW.

9.2 CONTESTS. The Sellers and their duly appointed representatives shall have the exclusive authority to control any audit or examination by any taxing authority, to initiate any claim for refund, to amend any Tax return and to contest, resolve and defend against any assessment for additional Taxes, notice of Tax deficiency or other adjustment of Taxes of or relating to any liability of the Target or its Subsidiaries for Taxes reflected on any Tax returns covering any Pre-Closing Periods; PROVIDED, HOWEVER, that (a) neither the Sellers nor any of their duly appointed representatives shall, without the prior written consent of the Buyer, which consent shall not be unreasonably withheld, file any claim for refund, amend any Tax return or enter into any settlement of any contest or otherwise compromise any issue that affects or may affect the Tax liability of the Buyer or any of its Affiliates for any Tax period beginning after the Closing Date (a "POST-CLOSING PERIOD") or any portion of an Overlap Period beginning after the Closing Date, and (b) neither the Sellers nor any of their duly appointed representatives shall, without the prior consent of the Buyer, which consent shall not unreasonably be withheld, enter into any settlement of any contest or otherwise compromise any issue that would increase any liability accruals for Taxes as of the Closing Date or would otherwise require payment by the Buyer of any amount under Section 9.3 unless the Sellers shall have agreed to indemnify the Buyer for payment of such Taxes. Buyer and its duly appointed representatives shall have the exclusive authority to control any audit or other proceeding relating to Taxes for any taxable year or other taxable period ending after the Closing Date; PROVIDED, HOWEVER, that (a) neither Buyer, the Target nor any of their duly appointed representatives shall, without the prior written consent of the Sellers, which consent shall not be unreasonably withheld, enter into any settlement of any contest or otherwise compromise any issue that affects or may affect the Tax liability of the Sellers or any of their affiliates for any Pre-Closing Period or any portion of the Overlap Period ending on the Closing Date, and (b) neither Buyer, the Target nor any of their duly appointed representatives shall, without the prior consent of

the Sellers, which consent shall not unreasonably be withheld, enter into any settlement of any contest or otherwise compromise any issue that would reduce any liability accruals for Taxes as of the Closing Date or would otherwise require payment by the Sellers of any amount under Section 9.3

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unless Buyer shall have waived or caused to be waived for itself and the Target any right to indemnification for Taxes from the Sellers. The Sellers shall be entitled to any Tax refund relating to the Target and its Subsidiaries to the extent such Tax refund relates to any Pre-Closing Period or any portion of the Overlap Period ending on the Closing Date, unless such refund has been recorded as an Asset on the Closing Balance Sheet in which case Buyer shall be entitled thereto.

9.3 PAYMENT OF TAXES. (a) Taxes of the Target and its Subsidiaries that relate to an Overlap Period shall be apportioned between the portion of such period ending on the Closing Date and the portion of such period beginning after the Closing Date on the basis of an interim closing of the books, and based on accounting methods, elections and conventions that do not have the effect of distorting income or expenses. Notwithstanding the foregoing, real and personal property Taxes of the Target and its Subsidiaries for any Overlap Period shall be apportioned on a per diem basis. The Sellers shall pay to Buyer or the appropriate taxing authority the Taxes calculated with respect to the portion of the Overlap Period ending on the Closing Date (as determined by the Sellers and Buyer using the procedure set forth under Section 9.1), but any such payment required by the Sellers shall be reduced by the amount of such Taxes already paid by the Target or the Sellers or any affiliate of the Sellers on or prior to the Closing Date or accrued or otherwise reflected as a Tax liability for such period on the Closing Balance Sheet.

(b) except as otherwise provided in this Section 9.3(b) the Sellers shall indemnify the Buyer Indemnified Parties and hold them harmless from (i) all Liability for Taxes of the Target and its Subsidiaries (except Taxes accrued and accounted for) for all Pre-Closing Tax Periods and the portion ending on the Closing Date, including, without limitation, Liability for the election under Section 338(h)(10) for any actual or deemed election under Section 338 of the Code or any corresponding provision of state, local or foreign law (except with respect to Liabilities for Puerto Rican Taxes, if any, resulting from an actual or deemed liquidation of LEP Profit International, Inc. (Puerto Rico), for which Buyer shall be responsible and indemnify the Sellers), (ii) all Liability (as a result of Treasury Regulation Section 1.1502-6(a) or otherwise) for Taxes of any Person (other than the Target or its Subsidiaries) with which any of the Sellers or the Target or any of their respective Subsidiaries is or has been affiliated or has filed or has been required to file a consolidated, combined or unitary Tax Return and (iii) all Taxes arising out of a breach of the Sellers' representations and warranties contained in Section 4.21 hereof. Notwithstanding the foregoing provisions of this Section 9.3(b), the Sellers shall not indemnify and hold harmless Buyer for the amount of recorded liability accruals for Taxes reflected on the Closing Balance Sheet.

(c) Buyer agrees to pay or cause the Target to pay the Sellers an amount equal to all payments made by the Sellers or their affiliates after the Closing Date to any governmental authority for or with respect to Taxes imposed on or with respect to the income, assets and operation of or with respect to the Target or any of its Subsidiaries for periods ending on or prior to the Closing Date, to the extent that the aggregate amount of such payments does not exceed the amount of liability accruals for such Taxes reflected on the Closing Balance Sheet.

(d) except as otherwise provided in this Section 9.3, Buyer hereby indemnifies and agrees to hold harmless the Sellers and their affiliates from and against all Taxes of or with respect to the Target and each of its Subsidiaries for all taxable years or other taxable periods beginning after the Closing Date

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and, with respect to the Overlap Period, the portion of such period commencing after the Closing Date.

9.4 NOTICE OF CONTESTS. The Buyer shall promptly notify the Seller, in connection with any inquiry, examination, or proceeding, any government authority proposes in writing to make or any assessment or adjustment with respect to Tax items of the Target and its Subsidiaries, which assessments or adjustments could affect the Sellers following the Closing Date, and shall consult with the Sellers with respect to any such proposed assessment or adjustment. Buyer shall notify the Sellers in writing promptly upon learning of any such inquiry, examination, or proceeding and shall consult with the Sellers with respect to any such proposed assessment or adjustment relating to periods ending on or prior to the Closing Date.

9.5 COOPERATION. The Buyer shall cause the Target and its Subsidiaries to provide the Sellers or their designee with such assistance as may reasonably be requested by the Sellers or their designee in connection with the preparation of any Tax return, audit or judicial or administrative proceeding or determination relating to liability for Taxes of or with respect to the Target or any of its Subsidiaries, including but not limited to, access to the books and records, and the assistance of the officers and employees, of the Target and its Subsidiaries. Buyer and the Sellers acknowledge that any and all information obtained in connection with the preparation of any Tax return, audit or judicial or administrative proceeding or determination pursuant to this Section 9.5 is of a confidential nature and that all such information shall be used only for the purposes set forth in the immediately preceding sentence.

9.6 ELECTION UNDER SECTION 338(h)(10). At the election of Buyer, the Parent Companies shall cause the Stockholder to join Buyer in making an election under Section 338(h)(10) of the Code and any corresponding elections permitted under state, local, or foreign law with respect to the acquisition of the Target and each of its corporate Subsidiaries (other than its Subsidiaries that are

organized under the laws of a country other than the United States) (such Subsidiaries, the "INCLUDED SUBSIDIARIES") and if no election may be made pursuant to such state, local or foreign law, to the extent available, under an election corresponding to Section 338(a) and Section 338(g) of the Code for purposes of such state, local or foreign law or to treat the Code Section 338(h)(10) election as making an election corresponding to Section 338(a) and Section 338(g) of the Code. Buyer and the Stockholder shall exchange completed and executed copies of Internal Revenue Service Form 8023-A, required schedules thereto, and any similar state, local, and foreign forms as soon as practicable after the Closing. The Stockholder and Buyer agree that Buyer, in its sole reasonable discretion, shall allocate the Purchase Price and all other capitalized costs among the Target's assets for income tax purposes. Buyer agrees to give the Stockholder sufficient notice of such allocation to allow the Stockholder, to the extent necessary, to take account of such allocation in its tax filings. The Stockholder and Buyer acknowledge that for United States federal income tax purposes (and for purposes of state, local or foreign taxes in jurisdictions which permit elections analogous to the election permitted under Section 338(h)(10) of the Code) the acquisition of the stock of Target will be treated by the parties as a sale of the Assets of the Target (other than stock of the Included Subsidiaries) and a sale of the assets of each of the Included Subsidiaries to new corporations owned by Buyer, followed by a complete liquidation of Target and the Included Subsidiaries into the Stockholder. The parties agree to report the transactions in a manner consistent with this treatment.

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9.7 PURCHASE PRICE ADJUSTMENT. To the extent permitted by law, any payment made pursuant to Article VIII or Article IX hereunder by Buyer to the Stockholder or by the Stockholder to Buyer shall be treated by all parties for all purposes as an adjustment to the purchase price of the stock of the Target and shall be allocated pursuant to the provisions of Section 9.6 hereof.

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## ARTICLE X

### MISCELLANEOUS

10.1 ASSIGNMENT. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party without the prior written consent of the other parties; PROVIDED, HOWEVER, without the consent of any other party, the Buyer may, (i) assign all such rights to any lender as collateral security in connection with the financing of the Purchase Price so long as Buyer is not in any way released from its obligations hereunder and (ii) assign all such rights and obligations to any subsidiary or affiliate of Buyer or to a successor in interest to Buyer which shall assume all obligations and Liabilities of Buyer under this Agreement; PROVIDED, FURTHER, that LIW will not unreasonably withhold its consent to the assignment by Buyer of this Agreement or any of its rights and obligations hereunder in any sale by Buyer of all or a



significant portion of the assets of the Target and its Subsidiaries, taken as a whole; and PROVIDED, FURTHER, that the Stockholder may, without the consent of Buyer, assign its rights hereunder in connection with the dissolution of the Stockholder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors-in-interest, personal representatives, heirs, legatees and permitted assigns, and no other person shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

10.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (E.G., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to the Sellers, addressed to:

LEP International Worldwide Limited  
28 Church Street, Epsom  
Surrey KT174QP, London  
England  
Attention: Ron Jackson  
Fax Number: 011-44-137-281-3181

With a copy to:

Troutman Sanders LLP  
600 Peachtree Street, N.E., Suite 5200  
Atlanta, GA 30308-2216  
Attention: John C. Beane  
Fax Number: (404) 885-3900

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If to Buyer, addressed to:

International Logistics Limited  
310 South Street, P.O. Box 1913  
Morristown, NJ 07962-1913  
Attention: Roger Payton  
Fax Number: (708) 547-2124

With a copy to:

Latham & Watkins  
633 W. 5th Street, Suite 4000  
Los Angeles, CA 90071-2007

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

10.3 CHOICE OF LAW. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of New York (without reference to the choice of law provisions of New York law), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.

10.4 SERVICE OF PROCESS, CONSENT TO JURISDICTION.

(a) SERVICE OF PROCESS. Each of the parties hereto irrevocably consents to the service of any process, pleading, notices or other papers by the mailing of copies thereof by registered, certified or first class mail, postage prepaid, to such party at such party's address set forth herein, or by any other method provided or permitted under New York law.

(b) CONSENT TO JURISDICTION. Each party hereto irrevocably and unconditionally (1) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the United States District Court for the Southern District of New York or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the County of New York, New York; (2) consents to the jurisdiction of any such court in any such suit, action or proceeding; and (3) waives any objection which such party may have to the laying of venue of any such suit, action or proceeding in any such court.

10.5 ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement, the Ancillary Agreements, together with all exhibits and schedules hereto and thereto (including the Disclosure Schedule), constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or

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written, of the parties. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

10.6 MULTIPLE COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which



together shall constitute one and the same instrument.

10.7 EXPENSES. Except as otherwise specified in this Agreement, each party hereto shall pay its own legal, accounting, out-of-pocket and other expenses incident to this Agreement and to any action taken by such party in preparation for carrying this Agreement into effect.

10.8 INVALIDITY. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

10.9 TITLES; GENDER. The titles, captions or headings of the Articles and Sections herein, and the use of a particular gender, are for convenience of reference only and are not intended to be a part of or to affect or restrict the meaning or interpretation of this Agreement.

10.10 PUBLICITY. Neither Buyer, on the one hand, nor the Sellers, the Target or any of their respective subsidiaries, on the other hand, shall issue any press release or make any public statement regarding the transactions contemplated hereby, without prior written approval of the other parties.

10.11 CUMULATIVE REMEDIES. All rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

10.12 CONFIDENTIAL INFORMATION.

(a) NO DISCLOSURE. The parties acknowledge that the transaction described herein is of a confidential nature and shall not be disclosed except to consultants, advisors and affiliates, or as required by law, until such time as the parties make a public announcement regarding the transaction as provided in Section 10.10.

(b) PRESERVATION OF CONFIDENTIALITY. In connection with the negotiation of this Agreement, the preparation for the consummation of the transactions contemplated hereby, and the performance of obligations hereunder, Buyer acknowledges that it will have access to confidential information relating to the Sellers and the Target and its Subsidiaries and the Sellers acknowledge that they will have access to confidential information relating to the Buyer and its affiliates, in each case, including technical,

manufacturing or marketing information, ideas, methods, developments,

inventions, improvements, business plans, trade secrets, scientific or statistical data, diagrams, drawings, specifications or other proprietary information relating thereto, together with all analyses, compilations, studies or other documents, records or data prepared by the Sellers and the Target and its Subsidiaries or Buyer, as the case may be, or their respective Representatives or affiliates, which contain or otherwise reflect or are generated from such information ("CONFIDENTIAL INFORMATION"). The term "CONFIDENTIAL INFORMATION" does not include information received by one party in connection with the transactions contemplated hereby which (i) is or becomes generally available to the public other than as a result of a disclosure by such party or its Representatives, (ii) was within such party's possession prior to its being furnished to such party by or on behalf of the other party in connection with the transactions contemplated hereby, provided that the source of such information was not known by such party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information or (iii) becomes available to such party on a non-confidential basis from a source other than the other party or any of their respective Representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information.

(c) Each party shall treat all Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information, except to its representatives and affiliates who need to know such Confidential Information in connection with the transactions contemplated hereby. Each party shall use all reasonable efforts to cause its Representatives to treat all such Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information. Each party shall be responsible for any breach of this Agreement by any of its Representatives. If, however, Confidential Information is disclosed, the party responsible for such disclosure shall immediately notify the other party in writing and take all reasonable steps required to prevent further disclosure.

(d) All Confidential Information shall remain the property of the party who originally possessed such information. In the event of the termination of this Agreement for any reason whatsoever, each party shall, and shall cause its representatives to, return to the other party all Confidential Information (including all copies, summaries and extracts thereof) furnished to such party by the other party in connection with the transactions contemplated hereby.

(e) If one party or any of its representatives or affiliates is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or other similar process) or is required by operation of law to disclose any Confidential Information, such party shall provide the other party with prompt written notice of such request or requirement, which notice shall, if practicable, be at least 48 hours prior to making such disclosure, so that the

other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of such a waiver, such party or any of its representatives are nonetheless, in the opinion of counsel, legally compelled to disclose Confidential Information, then such party may disclose that portion of the Confidential Information which such counsel advises is legally required to be disclosed, provided that such party uses its reasonable efforts to preserve the confidentiality of the Confidential Information, whereupon such disclosure shall not constitute a breach of this Agreement.

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10.13 ATTORNEYS' FEES. If any party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including without limitation reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action.

10.14 LIMITATION OF LIABILITY. Notwithstanding anything to the contrary in this Agreement, in no event shall any party hereto be liable for any incidental or consequential damages occasioned by any failure to perform or the breach of any obligation (including, without limitation, the breach of any representation or warranty) under this Agreement.

10.15 KNOWLEDGE. Whenever a phrase herein is qualified by "to the knowledge of the Seller" or a similar phrase, it is intended to refer to the knowledge, after the exercise of reasonable diligence, of Jack Wasp, Ron Series, Digby Davies, Ron Jackson, Andrew Bernard, Peter Brown, Wolfgang Hollermann, Louis Mitchell and Martin McDonell.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

LEP INTERNATIONAL  
WORLDWIDE LIMITED

INTERNATIONAL LOGISTICS  
LIMITED

By: /s/ Digby J. Davies

By: /s/ Roger E. Payton

Name: Digby J. Davies

Name: Roger E. Payton

Its: Director

Its: President & Chief Executive Officer

LEP INTERNATIONAL HOLDINGS LIMITED

By: /s/ Digby J. Davies

-----  
Name: Digby J. Davies

-----  
Its: Director

-----  
LEP HOLDINGS (USA) INC.

By: /s/ Digby J. Davies

-----  
Name: Digby J. Davies

-----  
Its: President

-----  
LEP HOLDINGS (NORTH AMERICA) LIMITED

By: /s/ Digby J. Davies

-----  
Name: Digby J. Davies

-----  
Its: Director

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-----  
  
STOCK PURCHASE AGREEMENT

Dated as of November 7, 1996

among  
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BUYER:

INTERNATIONAL LOGISTICS LIMITED  
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AND  
-----

SELLERS:

Douglas Cruikshank

Ronald S. Cruse

Steve Hitchcock

Paul D. Smith  
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## EXHIBITS

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## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT dated as of November 7, 1996 (this "AGREEMENT"), is by and among International Logistics Limited, a Delaware corporation ("BUYER"), and Douglas Cruikshank, Ronald S. Cruse, Steve Hitchcock and Paul D. Smith (each of whom, individually, is a "SELLER," and collectively, are the "SELLERS"). Each of the Target (as defined below) and its Subsidiaries (as defined below) are sometimes referred to herein individually as a "SUBJECT COMPANY" and collectively as the "SUBJECT COMPANIES."

### RECITALS

A. Buyer desires to purchase from the Sellers, and the Sellers desire to sell to Buyer, all of the issued and outstanding capital stock of the Target, upon the terms and subject to the conditions contained herein (the "ACQUISITION").

B. In connection with the Acquisition, the parties desire to set forth certain representations, warranties and covenants made by each to the other or others as an inducement to the consummation of the Acquisition, upon the terms and subject to the conditions contained herein.

C. In connection with the Acquisition, the Sellers are willing to indemnify Buyer, and Buyer is willing to indemnify the Sellers, against certain losses and liabilities they may incur as a result of the Acquisition, upon the terms and subject to the conditions contained herein.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 DEFINED TERMS. As used herein, the terms below shall have the following meanings. Any of these terms, unless the context otherwise requires, may be used in the singular or plural depending upon the reference.

"ACCOUNTING FIRM" shall have the meaning set forth in Section 3.1(a) of this Agreement.

"ACQUISITION" shall have the meaning set forth in the Recitals to this Agreement.

"ACTION" shall mean any action, suit, litigation, proceeding, arbitral action or criminal prosecution.

"AFFILIATE" shall have the meaning set forth in Rule 12(b)(ii) of the Securities Exchange Act of 1934, as amended.

"ASSETS" shall mean, with respect to any Person, all of such Person's right, title and interest in and to all properties, assets and rights of any kind, whether tangible or intangible, real or personal, owned by such Person or in which such Person has any interest whatsoever, other than the Excluded Assets, including without limitation, any right, title and interest of such Person to the following:

- (a) accounts and notes receivable (whether current or non-current), refunds, deposits, prepayments and prepaid expenses (including, without limitation, any prepaid insurance premiums);
- (b) cash and cash equivalents;
- (c) all shares of common stock and any other ownership interests of such Person in any of the Subject Companies, the Russian Ventures or Smit-Matrix;
- (d) all tangible personal property;
- (e) all Contracts;
- (f) all Owned Real Property;
- (g) all Leases;
- (h) all Leasehold Estates;
- (i) all Leasehold Improvements;
- (j) all Fixtures and Equipment;
- (k) all Books and Records;
- (l) all Intellectual Property Rights;
- (m) the Insurance Policies;
- (n) all sales literature and promotional literature;

- (o) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind, against any Person, including without limitation any liens, security interests, pledges or other rights to payment or to enforce payment in connection with products delivered by such Person on or prior to the Closing Date;
- (p) all goodwill related to the Business;
- (q) all Permits; and
- (r) the Sea Bridge Assets.

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"BOOKS AND RECORDS" shall mean with respect to each Subject Company (a) all records and lists of such Subject Company pertaining to the Assets, (b) all records and lists of such Subject Company pertaining to the Business of the Subject Company or customers, suppliers or personnel of the Subject Company, (c) all product, Business and marketing plans of the Subject Company, and (d) all books, ledgers, files, reports, plans, drawings and operating records of every kind maintained by such Subject Company.

"BUSINESS" shall mean the business conducted by the Subject Companies of providing origin and destination services, freight forwarding, logistics, supply chain management, customs clearing services, transportation and distribution services, together with any ancillary services provided therewith.

"BUYER" shall mean International Logistics Limited, a Delaware Corporation.

"BUYER COMMON STOCK" shall have the meaning set forth in Section 2.1(b) of this Agreement.

"BUYER FINANCIAL STATEMENTS" shall have the meaning set forth in Section 7.7 of this Agreement.

"BUYER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 9.3(a) of this Agreement.

"CASH PORTION" shall have the meaning set forth in Section 2.1(b) of this Agreement.

"CLAIM" shall have the meaning set forth in Section 9.3(d) of this Agreement.

"CLAIM NOTICE" shall have the meaning set forth in Section 9.3(d) of this Agreement.

"CLASS A DIRECTORS" shall have the meaning set forth in Section 8.7 of this Agreement.

"CLASS B DIRECTORS" shall have the meaning set forth in Section 8.7 of this Agreement.

"CLOSING" shall have the meaning set forth in Section 4.1 of this Agreement.

"CLOSING DATE" shall mean (i) November 7, 1996 or (ii) such other date as Buyer and the Sellers shall mutually agree upon.

"CLOSING BALANCE SHEET" shall have the meaning set forth in Section 3.1(a) of this Agreement.

"CLOSING FINANCIAL STATEMENTS" shall have the meaning set forth in Section 3.1(a) of this Agreement.

"CLOSING NET WORTH" shall have the meaning set forth in Section 3.1(f) of this Agreement.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

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"CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 11.10(b) of this Agreement.

"CONTRACT" shall mean with respect to any Person any agreement, contract, note, evidence of indebtedness, letter of credit, indenture, security or pledge agreement, guarantee, franchise agreement, covenant not to compete, employment agreement, license agreement, instrument or obligation to which such Person is a party or to which any of its Assets are subject, whether oral or written.

"CORPORATION" shall be used solely for the purpose of Section 5.22 hereof and shall mean (i) the Target and each of its Subsidiaries, (ii) all partnerships, joint ventures and other entities or organizations in which the Target or any such Subsidiary was at any time or is a partner, joint venturer, member or participant, (iii) all predecessor or former corporations, partnerships, joint ventures, organizations, businesses or other entities, whether in existence as of the date hereof or at any time prior to the date hereof, the assets or obligations of which have been acquired or assumed by the Target or any such Subsidiary or to which the Target or any such Subsidiary has succeeded.

"COURT ORDER" shall mean any judgment, award, decision, consent decree, injunction, ruling, writ or order of any foreign, federal, state or

local court that is binding on any of the Subject Companies or any Seller or the Assets or properties of the Subject Companies.

"DAMAGES" shall have the meaning set forth in Section 9.3(a) of this Agreement.

"DEDUCTIBLE" shall have the meaning set forth in Section 9.3(g) of this Agreement.

"DEFAULT" shall mean (i) a breach of or default under any Contract, (ii) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of or default under any Contract, or (iii) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of termination, renegotiation or acceleration under any Contract.

"DISCLOSURE SCHEDULE" shall mean a schedule executed and delivered by the Sellers to Buyer as of the date hereof which sets forth the exceptions to the representations and warranties contained in Articles V and VI hereof and certain other information called for by Articles V and VI hereof and other provisions of this Agreement. Unless otherwise specified, each reference in Articles V and VI to any numbered schedule is a reference to that numbered schedule which is included in the Disclosure Schedule.

"EMPLOYMENT AGREEMENTS" shall have the meaning set forth in Section 4.3(d) of this Agreement.

"ENCUMBRANCES" shall mean any valid claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right of way, encroachment, building or use restriction, conditional sales agreement, encumbrance or other right of third parties, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof. For the purposes of this Agreement, Encumbrances shall be deemed to exclude restrictions on transfers of stock pursuant to the Securities Act and applicable state securities laws.

"ENVIRONMENTAL ASSESSMENTS" shall mean all written reports, and all parts thereof, including any drafts of such reports if such drafts are in the possession or control of any Corporation, of all environmental audits or assessments in the possession of any Subject Company or any Seller, or any of their respective professional consultants or advisors, which have been conducted at any Facility or Former Facility within the past five years, either by any such Corporation or any attorney, environmental consultant or engineer engaged for such purpose.

"ENVIRONMENTAL CONDITIONS" shall mean the introduction into the

environment of any pollution, including without limitation any contaminant, irritant or pollutant or other Hazardous Substance (whether or not upon the Owned Real Property, the Leased Real Property, or other property of the Business and whether or not such pollution constituted at the time thereof a violation of any Environmental Law) as a result of any Release as a result of which any Corporation is or, to the knowledge of Sellers, may become liable to any Person or by reason of which the Owned Real Property, the Leased Real Property or any of the Assets may suffer or be subjected to any lien, to the extent it would have a Material Adverse Effect.

"ENVIRONMENTAL LAWS" shall mean all federal, state, local or foreign laws, statutes, ordinances, regulations, rules, judgments, orders, notice requirements, court decisions, agency guidelines or principles of law, Permits, restrictions and licenses, which (i) regulate or relate to the protection or clean-up of the environment; the use, treatment, storage, transportation, handling, disposal or Release of Hazardous Substances, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources; or the health and safety of persons or property, including without limitation protection of the health and safety of employees; or (ii) impose liability with respect to any of the foregoing, including without limitation the Federal Water Pollution Control Act (33 U.S.C. Section 1251 ET SEQ.), Resource Conservation & Recovery Act (42 U.S.C. Section 6901 ET SEQ.) ("RCRA"), Safe Drinking Water Act (21 U.S.C. Section 349, 42 U.S.C. Sections 201, 300f), Toxic Substances Control Act (15 U.S.C. Section 2601 ET SEQ.), Clean Air Act (42 U.S.C. Section 7401 ET SEQ.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 ET SEQ.) ("CERCLA"), California Health & Safety Code (Section 25100 ET SEQ., Section 39000 ET SEQ.), and California Water Code (Section 13000 ET SEQ.), or any other similar foreign, federal, state or local law of similar effect, each as amended.

"EXCLUDED ASSETS" shall mean the following assets of the Subject Companies which are not to be acquired by Buyer hereunder:

- (a) the vehicles listed in Schedule 1.3 hereto, including any leasehold interest or ownership interest with respect thereto; and
- (b) the Florida Condominium.

"EXCLUDED LIABILITIES" shall mean any Liability relating to or arising out of the Excluded Assets, together with accrued interest thereon, including without limitation:

- (a) any loans and Lease obligations (whether capital or operating) associated with or relating to the vehicles listed in Schedule 1.3 hereto; and
- (b) the Mortgage relating to the Florida Condominium.

"FACILITIES" shall mean with respect to each Subject Company all of the plants, offices, manufacturing facilities, stores, warehouses, improvements, administration buildings, and all real property of such Subject Company, that are identified or listed under such Subject Company's name in Schedule 5.5 attached hereto.

"FACILITY LEASES" shall mean, with respect to each Subject Company, all of the Leases of Facilities listed under such Subject Company's name in Schedule 5.5.

"FINANCIAL STATEMENTS" shall mean (i) the monthly unaudited consolidated Financial Statements of the Target beginning on the Interim Balance Sheet Date through and including the month ended August 31, 1996, (ii) the Interim Financial Statements and (iii) the Year-End Financial Statements.

"FINANCIAL STATEMENTS DELIVERY DATE" shall have the meaning set forth in Section 3.1(g) of this Agreement.

"FIXTURES AND EQUIPMENT" shall mean with respect to any Person all of the furniture, fixtures, furnishings, automobiles, tractors, trailers, machinery, equipment and supplies owned by such Person, wherever located and including any such Fixtures and Equipment in the possession of any third party.

"FLORIDA CONDOMINIUM" shall mean the condominium parcel located at 308 Mainsail Circle, Jupiter, Florida 33477, together with all rights, easements and privileges appertaining or relating thereto, and all buildings, fixtures and improvements located thereon.

"FOREIGN SUBSIDIARIES" shall mean, collectively, Smit-Matrix, the Russian Ventures and any of their respective subsidiaries or Affiliates which are organized under the laws of a country other than the United States.

"FORMER FACILITY" shall be used solely for purposes of Section 5.22 hereof and shall mean, with respect to each Corporation, each plant, office, manufacturing facility, store, warehouse, improvement, administrative building and all real property and related facilities which was or were owned, leased or operated by such Corporation at any time prior to the date hereof, but excluding any Facilities.

"FOUNDATION DOCUMENTS" shall have the meaning set forth in Section 6.1(a) of this Agreement.

"GAAP" shall mean generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied. The parties acknowledge and agree, however, that for the purposes of this Agreement, the Target's accounting policies and practices that are set forth in Schedule 1.4 hereto shall be considered GAAP.

"HARPER LOAN" shall mean that certain term loan made to the Target by Signet Bank in the outstanding amount of \$169,000 for the purpose of



repurchasing any stock of the Subject Companies owned by the Harper Group, Inc.

"HAZARDOUS SUBSTANCE" shall mean any quantity of asbestos in any form, urea formaldehyde, PCB's, radon gas, crude oil or any fraction thereof, all forms of natural gas, petroleum

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products or by-products, any radioactive substance, any toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound and any other hazardous substance, material or waste (as defined in or for purposes of any Environmental Law), whether solid, liquid or gas.

"HSR ACT" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"INSURANCE POLICIES" shall mean the insurance policies relating to the Target or any of its Subsidiaries or the Assets of the Target or any of its Subsidiaries as described in Schedule 5.17 and any insurance policies of such Subject Companies not required to be so listed.

"INTELLECTUAL PROPERTY RIGHTS" shall have the meaning set forth in Section 5.4 of this Agreement.

"INTERIM BALANCE SHEET" shall mean the consolidated balance sheet of the Target dated the Interim Balance Sheet Date, prepared in accordance with GAAP, and previously delivered to Buyer and attached hereto as Schedule 1.1.

"INTERIM BALANCE SHEET DATE" shall mean June 30, 1996.

"INTERIM FINANCIAL STATEMENTS" shall mean the Interim Balance Sheet and the consolidated statements of operations and income, changes in stockholders' equity and cash flow for each of the Subject Companies for the period ended on the Interim Balance Sheet Date, prepared in accordance with GAAP and previously delivered to Buyer and attached hereto as Schedule 1.2.

"LEASED REAL PROPERTY" shall mean with respect to each Subject Company all leased property described in the Facility Leases of such Subject Company.

"LEASEHOLD ESTATES" shall mean with respect to each Subject Company all of such Subject Company's rights as lessee under the Facility Leases of such Subject Company.

"LEASEHOLD IMPROVEMENTS" shall mean with respect to each Subject Company all of such Subject Company's leasehold improvements situated in or on the Leased Real Property leased under the Facility Leases of such Subject Company.

"LEASES" shall mean with respect to each Subject Company all of the

existing leases with respect to the personal or real property of such Subject Company.

"LEP TRANSACTIONS" shall mean the purchases by Buyer and an indirect wholly owned subsidiary of Buyer of all of the issued and outstanding capital stock of LEP Profit International, Inc., a Delaware corporation, and LEP International, Inc., a corporation organized under the laws of Canada, respectively, each as of October 31, 1996.

"LIABILITIES" shall mean any liability, indebtedness, obligation, guaranty or endorsement of or by any Person of any type, whether accrued, absolute, contingent, matured or unmatured. "LIABILITY" shall have the correlative meaning.

"LOSSES" shall have the meaning set forth in Section 10.1 of this Agreement.

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"MATERIAL ADVERSE EFFECT" shall mean (i) a material adverse effect or change in (A) when taken as a whole, the condition (financial or otherwise) of or in the Assets, Business, properties, Liabilities, reserves, working capital, earnings, technology, prospects or relations with customers or employees of the Subject Companies, or (B) the right or ability of the Subject Companies to consummate the transactions contemplated hereby, or (ii) any event or condition which would, with the passage of time, constitute a "Material Adverse Effect."

"MORTGAGES" shall mean with respect to each Subject Company all deeds of trust, mortgages or other Encumbrances securing indebtedness and relating to any of the Owned Real Property of such Subject Company.

"NET WORTH DEFICIENCY" shall have the meaning set forth in Section 3.1(d) of this Agreement.

"NET WORTH SURPLUS" shall have the meaning set forth in Section 3.1(e) of this Agreement.

"OFFERING MEMORANDUM" shall have the meaning set forth in Section 4.2(b)(ii) of this Agreement.

"OVERLAP PERIOD" shall have the meaning set forth in Section 10.2 of this Agreement.

"ORDINARY COURSE OF BUSINESS" or "ORDINARY COURSE" or any similar phrase shall mean the ordinary course of the Business of each of the Subject Companies or the Russian Ventures, as the case may be, consistent with the past practice of such Subject Company or Russian Venture as applicable.

"OWNED REAL PROPERTY" shall mean with respect to each Subject Company all real property owned in fee by such Subject Company, including without limitation all rights, easements and privileges appertaining or relating thereto, all buildings, fixtures and improvements located thereon and all Facilities thereon, if any.

"PERMITTED ENCUMBRANCES" shall mean any (i) Encumbrances reflected in the Interim Balance Sheet, (ii) Encumbrances for Taxes assessments or governmental charges or landlords', mechanics', workmen's, materialmans' or other similar liens, in each case not yet due or delinquent or which are being contested in good faith and which, in the aggregate, are not substantial in amount, do not materially detract from the value of the Assets subject thereto or interfere with the present use thereof and which have not arisen other than in the ordinary course of business, (iii) liens or Encumbrances that in the aggregate are not substantial in amount, do not materially detract from the value of the Assets subject thereto or interfere with the present use thereof and have not arisen other than in the ordinary course of business and (iv) Encumbrances of record set forth in Schedule 1.5 hereto.

"PERMITS" shall mean with respect to any Person all licenses, permits, franchises, approvals, authorizations, consents or orders of any governmental authority, whether foreign, federal, state or local required for conduct or operation of the Business of such Person.

"PERMITTED DISTRIBUTIONS" shall have the meaning set forth in Section 8.6 of this Agreement.

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"PERSON" shall mean an individual, a partnership, a corporation, a limited liability company, a joint venture, a trust or unincorporated organization or a government entity (or department, agency or political subdivision thereof).

"PERSONNEL" shall have the meaning set forth in Section 5.9(b) of this Agreement.

"POST-CLOSING PERIOD" shall mean any Tax period (or portion thereof) that is not a Pre-Closing Period.

"PRE-CLOSING PERIOD" shall mean any Tax period ending on or prior to the Closing Date and, with respect to any Tax period that includes but does not end on the Closing Date, the portion of such period that ends on and includes the Closing Date.

"PURCHASE PRICE" shall have the meaning set forth in Section 2.1(b) of this Agreement.

"REGISTRATION RIGHTS AGREEMENT" shall have the meaning set forth in

Section 4.3(b) of this Agreement.

"REGULATIONS" shall mean any laws, statutes, ordinances, code, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency.

"RELEASE" shall mean and include any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, migrating within the environment or disposing into the environment or the workplace of any Hazardous Substance, and as otherwise defined in any Environmental Law.

"RETURNS" shall mean all returns, reports, estimates, information returns and statements of any nature with respect to Taxes.

"RUSSIAN VENTURES" shall mean Russian-American Company Matrix-St. Petersburg, a closed joint stock company under the laws of the Russian Federation; Matrix-Almaty, a limited liability company under the laws of the Republic of Kazakhstan; Matrix-Mariupol, a limited liability company under the laws of Ukraine; Matrix International, a commercial organization under the laws of the Azerbaijan Republic; and the other entities listed in Schedule 6.1(b)(1).

"SHARES" shall have the meaning set forth in Section 2.1(b) of this Agreement.

"SEA BRIDGE" shall mean Sea Bridge Container Lines, a general partnership.

"SEA BRIDGE ASSETS" shall mean all of the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal, owned by Sea Bridge, including without limitation (a) all records and lists of the Sellers and Sea Bridge pertaining to the Sea Bridge Assets and Sea Bridge, (b) all records and lists pertaining to the business, customers, suppliers or personnel of Sea Bridge, (c) all business and marketing plans of Sea Bridge and (d) all books, ledgers, files, reports, plans, drawings, operating records and Permits of every kind maintained by Sea Bridge.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 9.3(b) of this Agreement.

"SELLERS" shall have the meaning set forth in the forepart of this Agreement.

"SELLERS' ACCOUNTANT" shall have the meaning set forth in Section 3.1(a) of this Agreement.

"SMIT-MATRIX" shall mean Whelchel N.V., a company organized under the laws of Curacao, Netherlands Antilles, and its direct and indirect subsidiaries.

"SMIT-MATRIX STOCK" shall mean the number of issued and outstanding shares of capital stock of Whelchel N.V. owned by the Target as set forth in Schedule 5.1(b) (ii).

"STOCKHOLDERS AGREEMENT" shall have the meaning set forth in Section 4.3(c) of this Agreement.

"SUBJECT COMPANY" shall have the meaning set forth in the forepart of this Agreement.

"SUBSIDIARY" shall mean (a) any corporation in an unbroken chain of corporations beginning with the Target if each corporation other than the last corporation owns a majority of the common stock or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors, (b) any partnership in which any corporation included in (a) above is a general partner, or (c) any partnership or limited liability company in which any corporation included in (a) above possesses a 50% or greater interest in the total capital or total income of such partnership or limited liability company, as the case may be. Notwithstanding anything to the contrary herein, none of the Russian Ventures shall be deemed to be a Subsidiary of Target or any Subsidiary of Target for the purposes of this Agreement.

"TARGET" shall mean Matrix International Logistics, Inc., a Delaware corporation.

"TARGET STOCK" shall have the meaning set forth in Section 2.1(a) of this Agreement.

"TAX" or "TAXES" shall mean any federal, state, local or foreign net or gross income, gross receipts, license, payroll, employment, excise, severance, stamp, business, occupation, premium, (including taxes under Code Sec. 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, levy, impost, governmental fee or like assessment or charge of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not, imposed by any governmental authority or arising under any Tax law or agreement, including, without limitation, any joint venture or partnership agreement.

"THIRD PARTY" shall mean any Person who is not a Subject Company, a Subsidiary or a Seller (or one of their respective Affiliates).

"WARRANT AGREEMENTS" shall mean (i) the Warrant Agreement by and between Buyer and William E. Myers, Jr., dated May 2, 1996; (ii) the Warrant Agreement by and between Buyer and William E. Myers, Jr., dated October 31, 1996; (iii) the Warrant Agreement by and between Buyer

and William E. Myers, Jr., dated November 7, 1996; (iv) the Warrant Agreement by and between Buyer and David W.M. Harvey, dated May 2, 1996; (v) the Warrant Agreement by and between Buyer and David W.M. Harvey, dated October 31, 1996; (vi) the Warrant Agreement by and between Buyer and David W.M. Harvey, dated November 7, 1996; (vii) the Warrant Agreement by and between Buyer and Brian E. Sanderson, dated May 2, 1996; (v) the Warrant Agreement by and between Buyer and Brian E. Sanderson, dated October 31, 1996; (vi) the Warrant Agreement by and between Buyer and Brian E. Sanderson, dated November 7, 1996; (vii) the Warrant Agreement by and between Buyer and Kurt Kamm, dated May 2, 1996; (viii) the Warrant Agreement by and between Buyer and William Kidd, dated May 2, 1996; and (ix) the Warrant Agreement by and between Buyer and Edward Mandell, dated May 2, 1996;

"YEAR-END BALANCE SHEET" shall mean the audited consolidated balance sheet of the Target, dated as of the Year-End Balance Sheet Date, together with notes thereon, prepared in accordance with GAAP.

"YEAR-END BALANCE SHEET DATE" shall mean December 31, 1995.

"YEAR-END FINANCIAL STATEMENTS" shall mean the Year-End Balance Sheet and the audited consolidated statements of operations and income, changes in shareholders' equity and cash flow of each of the Target for the periods ending on the Year-End Balance Sheet Date, together with notes thereon, prepared in accordance with GAAP.

## ARTICLE II

### PURCHASE AND SALE OF STOCK

#### 2.1 PURCHASE AND SALE OF STOCK.

(a) TRANSFER OF STOCK. Upon the terms and subject to the conditions set forth herein, on the Closing Date each of the Sellers shall sell, convey, transfer, assign, and deliver to Buyer, and Buyer shall purchase from such Sellers, all of the outstanding shares of capital stock of the Target (the "TARGET STOCK") in the amounts set forth next to the name of each such Seller in Schedule 2.1 hereto.

(b) PURCHASE PRICE. Upon the terms and subject to the conditions set forth herein, in consideration for the transfer of the Target Stock pursuant to Section 2.1(a) of this Agreement, on the Closing Date Buyer shall pay to the Sellers in accordance with Section 4.3(a) an aggregate of (x) Nineteen Million Two Hundred and Forty-Five Thousand and Twelve Dollars (\$19,245,012) (the "CASH PORTION") and (y) ninety-six thousand (96,000) shares of the common stock of Buyer (the "BUYER COMMON STOCK"), with a deemed value of Two Million Eight

Hundred and Eighty Thousand Dollars (\$2,880,000) (or \$30.00 per share) (the "SHARES" and together with the Cash Portion, the "PURCHASE PRICE"). On the Closing Date, Buyer shall deliver to the Sellers (i) the Cash Portion in cash by wire transfer of immediately available funds to the respective bank accounts designated by the Sellers in a writing delivered to Buyer not less than three (3) business days prior to the Closing and (ii) stock certificates evidencing the Shares. The Purchase Price shall be allocated among the Sellers as set forth in Schedule 2.1 hereto. The Shares shall be entitled to receive the benefits of, and shall be held pursuant to the limitations set forth in, the Registration Rights Agreement and the Stockholders Agreement. The Shares, when delivered by Buyer to the Sellers pursuant to this Section 2.1(b), shall

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be duly authorized and validly issued, fully paid and nonassessable, and free and clear of any Encumbrances and preemptive rights (other than as provided for in the Stockholders Agreement, the Registration Rights Agreement, the Warrant Agreements, the Employment Agreements, the Amended and Restated Certificate of Incorporation of Buyer and the Restated Bylaws of Buyer).

## ARTICLE III

### POST-CLOSING MATTERS

#### 3.1 POST-CLOSING ADJUSTMENT.

(a) As promptly as practicable after the Closing Date (but in no event more than sixty (60) days after the Closing Date), Buyer shall cause the Target to prepare and deliver to the Sellers consolidated financial statements of the Target and its Subsidiaries as of the close of business on the day immediately preceding the Closing Date (the "CLOSING FINANCIAL STATEMENTS"). Such Closing Financial Statements shall be accompanied by a certificate of the Chief Financial Officer of Buyer (or if Buyer does not have a Chief Financial Officer, the Chief Financial Officer of one of Buyer's subsidiaries (other than the Target or any of its Subsidiaries)) to the effect that the Closing Financial Statements present fairly, in accordance with GAAP, the financial condition of the Target and its Subsidiaries as of the close of business on the Closing Date prior to giving effect to the Acquisition. The balance sheet contained in the Closing Financial Statements shall be referred to herein as the "CLOSING BALANCE SHEET." The Closing Financial Statements will be prepared in accordance with GAAP, applied on a basis consistent with the Interim Financial Statements and the Year-End Financial Statements. The Sellers and a firm of independent public accountants designated by the Sellers (the "SELLERS' ACCOUNTANT") will be entitled to reasonable access during normal business hours to the relevant records and working papers of the Target and its accountants to aid in their review of the Closing Financial Statements. The Closing Financial Statements shall be deemed to be accepted by and shall be conclusive for the purposes of the adjustment described in Sections 3.1(b) and 3.1(c) hereof with respect to



the Target and its Subsidiaries except to the extent, if any, that the Sellers or the Sellers' Accountant shall have delivered, within sixty (60) days after the date on which the Closing Financial Statements are delivered to Sellers, a written notice to Buyer stating each and every item to which the Sellers takes exception as not being in accordance with GAAP applied on a basis consistent with the Interim Financial Statements and the Year-End Financial Statements or as having computational errors, specifying in reasonable detail the nature and extent of any such exception (it being understood that any amounts not disputed shall be paid promptly). If a change proposed by the Sellers is disputed by the Buyer, then Buyer and the Sellers shall negotiate in good faith to resolve such dispute. If, after a period of twenty (20) days following the date on which the Sellers give Buyer notice of any such proposed change, any such proposed change still remains disputed, then Buyer and the Sellers shall together choose an independent firm of public accountants of nationally recognized standing (the "ACCOUNTING FIRM") to resolve any remaining disputes. Each of the parties agrees not to select an accounting firm to review disputed items pursuant to this Section 3.1(a) if, at the time of selection, either Buyer, any of the Sellers or the Target or any of its Subsidiaries retains, uses or employs or contemplates retaining such accounting firm, for any engagement having a purpose other than the performance of services pursuant to this Section 3.1(a). The Accounting Firm shall act as an arbitrator to determine, based solely on presentations by the Sellers and Buyer, and not by independent review, only those issues still in dispute. The decision of the Accounting Firm shall be final and binding and shall be in accordance with the provisions of this Section 3.1(a). All of the fees and expenses of the Accounting Firm, if any, shall be paid equally by Buyer, on the one hand, and the Sellers, on the other

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hand; PROVIDED, HOWEVER, that, if the Accounting Firm determines that either party's position is totally correct, then the other party shall pay one hundred percent (100%) of the costs and expenses incurred by the Accounting Firm in connection with any such determination.

(b) In the event that there is a Net Worth Deficiency (as defined below) with respect to the Target and its Subsidiaries, the Sellers shall pay to Buyer, as an adjustment to the Purchase Price, an amount equal to the Net Worth Deficiency. Any payments required to be made by the Sellers pursuant to this Section 3.1(b) shall be made within ten (10) days of the Financial Statements Delivery Date (as defined below) by wire transfer of immediately available funds to an account designated by Buyer.

(c) In the event that there is a Net Worth Surplus (as defined below) with respect to the Target and its Subsidiaries, Buyer shall pay to the Sellers, as an adjustment to the Purchase Price, an amount equal to the Net Worth Surplus. Any payments required to be made by the Buyer pursuant to this Section 3.1(c) shall be made within ten (10) days of the Financial Statements Delivery Date by wire transfer of immediately available funds to the respective accounts designated by the Sellers. The percentage of the Net Worth Surplus allocated to



each Seller shall be equal to the percentage of the Purchase Price allocated to such Seller.

(d) The term "NET WORTH DEFICIENCY" shall mean with respect to the Target and its Subsidiaries the amount, if any, by which the Closing Net Worth of the Target and its Subsidiaries is less than three million six hundred and seventy-one thousand dollars (\$3,671,000).

(e) The term "NET WORTH SURPLUS" shall mean with respect to the Target and its Subsidiaries the amount, if any, by which the Closing Net Worth of the Target and its Subsidiaries exceeds three million six hundred and seventy-one thousand dollars (\$3,671,000).

(f) The term "CLOSING NET WORTH" shall mean, with respect to the Target and its Subsidiaries, the amount by which the total Assets of the Target and its Subsidiaries exceeds the total liabilities other than the Excluded Liabilities of the Target and its Subsidiaries, in each case as set forth on the Closing Balance Sheet; PROVIDED, HOWEVER, that if any change to the Closing Financial Statements is agreed to by Buyer and the Sellers in accordance with Section 3.1(a) or any dispute between Buyer and the Sellers with respect to the Closing Financial Statements is resolved in accordance with Section 3.1(a), then "CLOSING NET WORTH" shall be calculated after giving effect to any such change or resolution.

(g) The term "FINANCIAL STATEMENTS DELIVERY DATE" shall mean, with respect to the Target and its Subsidiaries, the date on which the Closing Financial Statements are delivered pursuant to Section 3.1(a); PROVIDED, HOWEVER, that if any change to the Closing Financial Statements is agreed to by Buyer and the Sellers in accordance with Section 3.1(a), then the date on which Buyer and the Sellers agree in writing to such change shall be the Financial Statement Delivery Date; and PROVIDED, FURTHER, that if any dispute with respect to the Closing Financial Statements is resolved in accordance with Section 3.1(a), then the date on which the Accounting Firm delivers its decision with respect to such dispute shall be the "FINANCIAL STATEMENT DELIVERY DATE".

3.2 INTEREST. All payments required to be made pursuant to Section 3.1 shall be paid with interest thereon at the rate of eight percent (8.0%) per annum and accruing from the Closing Date to the date of payment.

## ARTICLE IV

### CLOSING

4.1 CLOSING. Upon the terms and subject to the conditions set forth herein, the closing of the transactions contemplated herein (the "CLOSING") shall be held at 10:00 a.m. local time on the Closing Date at the offices of Latham & Watkins, Sears Tower, Suite 5800, 233 South Wacker Drive, Chicago, IL

#### 4.2 DELIVERIES AT CLOSING.

(a) STOCK CERTIFICATES. At the Closing, each of the Sellers shall deliver to Buyer certificates(s) evidencing that number of shares of Target Stock set forth opposite such Seller's name on Schedule 2.1 (duly endorsed in blank for transfer or accompanied by stock powers duly executed in blank).

(b) BUYER CERTIFICATES. Buyer will furnish the Sellers with such certificates of its officers and others to evidence compliance with the conditions set forth in this Agreement as may be reasonably requested by the Sellers, which shall include, but not be limited to:

(i) A certificate executed by the Secretary or an Assistant Secretary of Buyer certifying as of the Closing Date (i) a true and complete copy of the Certificate of Incorporation of Buyer, and all amendments thereto certified as of a recent date by the Secretary of State of Delaware, (ii) a true and complete copy of the bylaws of Buyer, (iii) a true and complete copy of the resolutions of the board of directors and, if required by law, the stockholders of Buyer authorizing the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby, and (iv) incumbency matters;

(ii) A certificate of the appropriate Secretary of States certifying the good standing of Buyer in its state of incorporation and all states in which it is qualified to do business; and

(iii) A certificate acknowledging that Buyer has not relied on the Confidential Memorandum relating to the Business of the Target prepared by Ernst & Young, LLP on behalf of the Target and the Sellers and supplied to Buyer prior to the date hereof (the "OFFERING MEMORANDUM") in consummating the transactions contemplated hereby and that the Sellers are making no representations and warranties with respect to the Offering Memorandum.

(c) SELLERS' CERTIFICATES. The Sellers will furnish Buyer with such certificates of the Sellers and the officers of the Subject Companies and others to evidence compliance with the conditions set forth in this Agreement as may be reasonably requested by Buyer, which shall include, but not be limited to:

(i) A certificate executed by the Secretary or an Assistant Secretary of each Subject Company certifying as of the Closing Date (i) a true and complete copy of the Certificate of Incorporation of such Subject Company and all amendments thereto, certified as of a recent date by the appropriate Secretary of State, (ii) a true and complete copy of the bylaws of such Subject Company, (iii) a true and complete copy of the resolution of the board of directors and stockholders of such Subject Company authorizing the consummation of the transactions contemplated hereby, and (iv) incumbency matters;

(ii) A certificate of the appropriate Secretary of State certifying the good standing of each Subject Company in its state of incorporation and all states in which it is qualified to do business;

(iii) A certificate executed by each of the Sellers acknowledging that the Sellers have not relied on any business plan of Buyer in consummating the transactions contemplated hereby and that Buyer is not making any representations or warranties regarding projections, forecasts or estimates, with respect to the future performance of Buyer; and

(iv) A certificate of each of the Sellers' non-foreign status, pursuant to Treasury Regulation section 1.1445-2(b)(2).

(d) OPINION OF BUYER'S COUNSEL. At the Closing, Buyer shall deliver to the Sellers an opinion of Latham & Watkins, counsel to Buyer, dated as of the Closing Date, in form and substance reasonably satisfactory to the parties and customary in transactions of the type contemplated by this Agreement.

(e) OPINION OF SELLERS' COUNSEL. At the Closing, the Sellers shall deliver to Buyer an opinion of Winthrop, Stimson, Putnam & Roberts, special counsel to the Sellers, dated as of the Closing Date, in form and substance reasonably satisfactory to the parties and customary in transactions of the type contemplated by this Agreement.

#### 4.3 OTHER CLOSING TRANSACTIONS.

(a) PAYMENT OF PURCHASE PRICE. At the Closing, Buyer shall deliver to each of the Sellers their respective portions of the Purchase Price as provided in Section 2.1(b).

(b) REGISTRATION RIGHTS AGREEMENTS. At the Closing, Buyer and the Sellers shall enter into a second amended and restated registration rights agreement, in the form of EXHIBIT A hereto (the "REGISTRATION RIGHTS AGREEMENT").

(c) STOCKHOLDERS AGREEMENT. At the Closing, Buyer and the Sellers shall enter into a second amended and restated stockholders agreement, in the form of EXHIBIT B hereto (the "STOCKHOLDERS AGREEMENT").

(d) EMPLOYMENT AGREEMENTS. At the Closing, Buyer shall cause the Target to enter into employment agreements with each of the Sellers, in the form of EXHIBIT C hereto (the "EMPLOYMENT AGREEMENTS").

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers hereby, severally but not jointly, represents and warrants to Buyer that:

5.1 ORGANIZATION; CAPITALIZATION; SUBSIDIARIES.

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(a) SUBJECT COMPANIES.

(i) Each Subject Company is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, has full corporate power and authority and has taken all corporate action necessary to conduct its Business as it is presently being conducted and to own, lease and operate its properties and Assets. Except as set forth in Schedule 5.1(a), each Subject Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which such qualification is necessary under the applicable law as a result of the conduct of its Business or the ownership (or leasing) of its properties, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Copies of the Certificate or Articles of Incorporation and Bylaws of each Subject Company and all amendments thereto, heretofore delivered to Buyer, are accurate and complete as of the date hereof.

(ii) The capitalization of each of the Subject Companies is set forth in Schedule 5.1(a)(ii) hereto. All of the outstanding shares of capital stock of each of the Subject Companies are duly authorized, validly issued, fully paid and non-assessable. Each Seller represents as to himself that he has title to all of the outstanding shares of capital stock of the Target set forth next to his name in Schedule 2.1 free and clear of all Encumbrances with full right, power and authority to transfer such shares to Buyer. Except as set forth in Schedule 5.1(a)(ii), the Target owns all of the issued and outstanding shares of capital stock of each of its Subsidiaries. Except as set forth in Schedule 5.1(a)(ii), there are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) any of the Subject Companies, any securities convertible into or exchangeable for shares of capital stock or other securities issued by (or other ownership interests in) such Subject Company or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) such Subject Company. Upon delivery to Buyer, the capital stock of the Subject Companies will be free and clear of all Encumbrances (other than Encumbrances imposed on Buyer) and shall be duly authorized, validly issued, fully paid and non-assessable. Schedule 5.1(a)(ii) contains a true, correct and complete list of all Subsidiaries of the Target, including the name, jurisdiction of incorporation, share ownership

of each such Subsidiary, as well as each jurisdiction in which such Subsidiary is authorized to do business.

(b) SMIT-MATRIX.

(i) Copies of the organizational documents of Smit-Matrix and all amendments thereto, heretofore delivered to Buyer, are, to the knowledge of the Sellers, accurate and complete as of the date hereof.

(ii) To the knowledge of the Sellers, the capitalization of Smit-Matrix is set forth in Schedule 5.1(b)(ii) hereto. To the knowledge of the Sellers, all of the Smit-Matrix Stock is duly authorized, validly issued, fully paid and non-assessable. The Target has title to all of the outstanding shares of capital stock of Smit-Matrix set forth next to the name of the Target in Schedule 5.1(b)(ii), to the knowledge of the Sellers, free and clear of all Encumbrances. Except as set forth in Schedule 5.1(b)(ii), to the knowledge of the Sellers, there are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) Smit-Matrix, any securities convertible into or exchangeable for shares of capital stock or other securities issued

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by (or other ownership interests in) Smit-Matrix or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) Smit-Matrix.

5.2 AUTHORIZATION. Each Seller represents as to himself that he has the requisite power and authority and has taken all action necessary to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform his obligations hereunder, and no other actions on the part of such Seller are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of the Sellers and (assuming due authorization, execution and delivery by Buyer and each other Seller) is a legal, valid and binding obligation of the each of the Sellers enforceable against each of them in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

5.3 TITLE TO ASSETS. Schedule 5.3 identifies all personal property with a book value in excess of \$50,000 owned or leased by any of the Subject Companies (except for Intellectual Property Rights), and sets forth whether such property is owned or leased by the Subject Companies. Each of the Subject Companies owns, leases or has rights to use free and clear of any Encumbrances, the Assets set forth next to its name in Schedule 5.3, except for Permitted

Encumbrances and Encumbrances specifically identified in Schedule 5.3. Except for those Assets which may be purchased by the Target and its Subsidiaries from time to time in the Ordinary Course, the Assets include all assets necessary for the conduct of the Business as presently operated in the Ordinary Course. The Assets are in reasonable operating condition and repair (except for ordinary wear and tear). With respect to Leases of personal property set forth in Schedule 5.3, no Subject Company nor any of the Sellers has received any notice of cancellation or termination under any option or right reserved to the lessor, nor any notice of Default thereunder. All lessors under the Leases set forth in Schedule 5.3 have, or will have prior to the Closing Date, consented (where such consent is necessary pursuant to the terms of the applicable Lease) to the change of control, if any, of the Subject Company which is a lessee under such Lease.

5.4 INTELLECTUAL PROPERTY RIGHTS. Schedule 5.4 (i) contains, with respect to each Subject Company, detailed information (including where applicable the federal registration number and the date of registration or application for registration and the name in which registration was applied for) concerning (x) all of such Subject Company's United States and foreign, common law and registered trademarks and of other marks, trade names or other trade rights, and all pending applications for any such registrations and all of such Subject Company's patents and copyrights and all pending applications therefor, and (y) all other trademarks and other marks, trade names and other trade rights and all other trade secrets, designs, plans, specifications, and other intellectual property rights of any kind of such Subject Company, whether or not registered (all of the items referred to in this clause (i) being "INTELLECTUAL PROPERTY RIGHTS"). Each Subject Company owns (or, as set forth in Schedule 5.4, possesses adequate and enforceable licenses or other rights to use) all Intellectual Property Rights now used or proposed to be used in its Business. Except as set forth in Schedule 5.4, no Person has a right to receive a royalty or similar payment in respect of any Intellectual Property Rights pursuant to any contractual arrangements entered into by any Subject Company and no Subject Company has licenses granted by or to it or any other agreements to which it is a party, relating in whole or in part to any of the Intellectual Property Rights. Except as set forth in Schedule 5.4, no Subject Company has received written or, to the knowledge of the Sellers, other notice that any Subject Company's use of the Intellectual Property Rights is interfering with, infringing upon or otherwise

violating the rights of any Third Party in or to such Intellectual Property Rights, and no proceedings have been instituted against or written, or to the knowledge of the Sellers, other notices received by any Subject Company or any of the Sellers alleging that any Subject Company's use of any Intellectual Property Rights infringes upon or otherwise violates any rights of a Third Party in or to such Intellectual Property Rights, which infringement or violation would have a Material Adverse Effect.



5.5 FACILITIES. On the Closing Date, none of the Subject Companies will have any Owned Real Property. Schedule 5.5 identifies all Facilities and contains a complete and accurate, in all material respects, description of the terms of all Facility Leases pursuant to which each Subject Company leases real property, including without limitation a general description of the leased property, the term, the applicable rent, and any requirements for the consent of third parties to "changes of control" or other similar events pursuant to the terms of the Facility Lease in respect of such Facility. All such Facility Leases are valid, binding and enforceable against the applicable Subject Company and, to the knowledge of the Sellers, against each of the other parties thereto in accordance with their terms and are in full force and effect, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditor's rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law. Each Subject Company which is a party to any Facility Lease, and, to the knowledge of the Sellers, each other party to such Facility Leases, has in all material respects performed all obligations required to be performed by it through the date hereof and no Seller nor any of the Subject Companies has received written, or to the knowledge of the Sellers, other notice of any cancellation or termination under any option or right reserved to the lessor in any Facility Lease, nor any notice of Default thereunder which would have a Material Adverse Effect. No event has occurred which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a Default under any Facility Lease on the part of any Subject Company, which Default would have a Material Adverse Effect. To the knowledge of the Sellers, there has been no occurrence of any event which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a Default under any Facility Lease by any party thereto other than a Subject Company, which Default would have a Material Adverse Effect. All lessors under the Facility Leases have, or will have prior to the Closing Date, consented (where such consent is necessary pursuant to the terms of the applicable Lease) to the change of control, if any, of the Subject Company which is a lessee under such Facility Lease.

(a) LEASES OR OTHER AGREEMENTS. Except for Facility Leases listed in Schedule 5.5(a), there are no leases, subleases, licenses, occupancy agreements, options, rights, concessions or other agreements or arrangements, written or oral, granting to any Person the right to purchase, use or occupy any Facility or the Leased Real Property, or any portion thereof or interest therein (other than Permitted Encumbrances).

(b) FACILITY LEASES AND LEASED REAL PROPERTY. With respect to each Facility Lease of each Subject Company, such Subject Company has and will have at the Closing an unencumbered interest in the Leasehold Estate, subject only to Permitted Encumbrances and those Encumbrances set forth in Schedule 5.5(b). Each Subject Company enjoys peaceful and undisturbed possession of all its Leased Real Property, subject to the rights of the fee owners.

(c) UTILITIES. All Facilities are supplied with utilities (including

without limitation water, sewage, disposal, electricity, gas and telephone) and other services necessary for the operation of such Facilities as currently operated, except where the failure to be so supplied would not have a Material Adverse Effect, and, to the knowledge of the Sellers, there is no condition which would

reasonably be expected to result in the termination of the present access from any Facility to such utility services.

(d) IMPROVEMENTS, FIXTURES AND EQUIPMENT. The Leasehold Improvements and all Fixtures and Equipment and other tangible assets owned, leased or used by each Subject Company at the Facilities are (i) to the knowledge of the Sellers structurally sound, (ii) in good operating condition and repair, subject to ordinary wear and tear and (iii) sufficient for the current operation of the Business of each Subject Company as presently conducted except, in the case of clauses (i), (ii) and (iii), those instances which would not have a Material Adverse Effect and, in the case of clause (iii), except for Assets which may be purchased by the Subject Companies from time to time in the Ordinary Course. None of the Leasehold Improvements is subject to any commitment or other arrangement for its sale or use by any of the Subject Companies, any of their respective Affiliates or any other Third Parties, except for arrangements or commitments which, individually or in the aggregate, would not have a Material Adverse Effect.

(e) NO SPECIAL ASSESSMENT. None of the Sellers nor any Subject Company has received notice of any special assessment relating to any Facility or any portion thereof, and, to the knowledge of the Sellers, there is no pending or threatened special assessment relating to any such Facility.

5.6 CONTRACTS AND COMMITMENTS. Except for Contracts listed in Schedule 5.6 and except for Contracts made in the Ordinary Course of Business since the date hereof or as expressly contemplated by this Agreement and the transactions contemplated hereby, none of the Subject Companies is a party to, or bound by, any Contract of any kind to be performed after the Closing Date (i) pursuant to which it is obligated to expend more than \$50,000 in any twelve-month period and that is not subject to cancellation on not more than thirty (30) days' notice by such Subject Company, as the case may be, without penalty or increased cost except for agreements to charter transportation services made in the Ordinary Course of Business or (ii) with any Personnel or other Affiliates of such Subject Company. To the best knowledge of the Sellers, there is no Default by any party to any such Contract, which Default would have a Material Adverse Effect. Schedule 5.6 lists the following Contracts to which any Subject Company is a party, or by which any of such Subject Company's Assets are bound:

(a) any written Contract (or group of related written Contracts)



creating a partnership or joint venture with any other Person;

(b) any promissory notes, loans, agreements in respect of indebtedness for borrowed money, indentures in respect of indebtedness for borrowed money, evidences of indebtedness, letters of credit in which the Target or any of its Subsidiaries is the account party or guarantees of any of the items described above, individually or in the aggregate in excess of \$25,000, whether any Subject Company shall be the borrower, lender or guarantor thereunder or whereby any Assets are pledged (excluding credit provided by the Subject Company in the ordinary course of business to purchasers of its products or services);

(c) any written Contracts to employ or terminate key Personnel (as defined below) and other material Contracts with present or former officers, directors or shareholders or other personnel of any Subject Company.

(d) any written Contract (or group of related written Contracts) concerning confidentiality or non-competition arrangements;

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(e) any written Contract (or group of related written Contracts) between any Subject Company and (i) any Russian Venture or (ii) Smit-Matrix;

(f) any written Contract with any of its directors, officers, shareholders or employees, any Affiliate thereof or any member of any such person's immediate family (x) providing for the furnishing of material services by, (y) providing for the rental of material real or personal property from, or (z) otherwise requiring material payments to (other than for services as officers, directors or employees of any Subject Company), any such Person or any corporation, partnership, trust or other entity in which any such Person has a substantial interest as a shareholder, officer, director, trustee or partner;

(g) except for Contracts with attorneys and accountants for services to be provided in connection with the Acquisition, any written distribution, franchise, license, technical assistance, sales, commission, sales agent or advertising Contracts related to the Assets or the Business of any Subject Company involving receipts in excess of \$500,000 or expenditures in excess of \$50,000 that are not cancelable (without penalty or other termination fees) by the Subject Company party thereto on not more than thirty (30) days' notice;

(h) any options with respect to any property, real or personal, with a book value in excess of \$50,000 whether a Subject Company is the grantor or grantee thereunder;

(i) except for agreements to charter or purchase transportation services made in the Ordinary Course of Business, any Contracts involving expenditures in excess of \$50,000 that are not cancelable (without penalty or

other termination fees) by the Subject Company party thereto on not more than thirty (30) days' notice;

(j) any written Contract with the United States, any state or local government or any agency or department thereof;

(k) except for this Agreement, any Contract that (A) limits or contains restrictions on the ability of any Subject Company to declare or pay dividends on, to make any other distributions in respect of or to issue or purchase, redeem or otherwise acquire its capital stock, to incur indebtedness, to incur or suffer to exist any lien, to purchase or sell all or a material portion of Assets, to change the lines of business in which it participates or engages or to engage in any business combination or (B) requires any Subject Company to maintain specified financial ratios or levels of net worth or other indicia of financial condition;

(l) any other written Contract (or group of related written Contracts) involving aggregate payments of more than \$500,000 to any Subject Company or not entered into in the Ordinary Course of Business; or

(m) any written proposal to enter into any contract, agreement or other arrangement with respect to any of the matters referred to in the foregoing clauses (a) through (l).

The Sellers have delivered to Buyer true, correct and complete, in all material respects, copies of each written Contract listed in Schedule 5.6 to which a Subject Company is a party, including all amendments and supplements thereto, and have included as part of Schedule 5.6 a brief summary of any such oral contracts, agreements or other arrangements and any written proposals to enter into any such Contracts. Schedule 5.6 sets forth all consents required for the beneficial assignment by any

Subject Company to Buyer of the rights, benefits and claims under the Contracts as a result of the transactions contemplated hereby. To the knowledge of the Sellers, all of the Contracts to which any Subject Company is party or by which it or any of the Assets is bound or affected are valid, binding and enforceable against the applicable Subject Company and, to the knowledge of the Sellers, against each of the other parties thereto in accordance with their terms, except as such enforceability may be limited by (i) bankruptcy, moratorium, reorganization and other similar laws affecting creditor's rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law. Each Subject Company which is a party to such Contracts and, to the knowledge of the Sellers, each other person which is a party thereto has complied in all material respects with the provisions thereof, no party is in Default thereunder and no written, or to the knowledge of the Sellers, other notice

of any claim of Default has been given to such Subject Company, except for Defaults which would not have a Material Adverse Effect. To the knowledge of the Sellers, none of the products and services called for by any unfinished Contract involving payments to any Subject Company in excess of \$100,000 cannot be supplied in accordance with the terms of such Contract, including time specifications and, to the knowledge of the Sellers, no outstanding bid, proposal or unfinished Contract will upon performance by such Subject Company result in a loss to such Subject Company.

#### 5.7 NO CONFLICT OR VIOLATION.

(a) None of the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, will result in (i) a violation of or a conflict with any provision of (x) the Certificate or Articles of Incorporation or Bylaws of the Target or any of its Subsidiaries or (y) to the knowledge of the Sellers, the organizational documents of Smit-Matrix, (ii) a breach of, or a Default under, or the creation of any right of any party to accelerate, terminate or cancel, any Contract set forth in Schedule 5.6, Permit, authorization or concession to which any Subject Company is a party or by which any of the Assets of such Subject Company are bound, (iii) a violation by such Subject Company of any law, statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award, or (iv) an imposition of any Encumbrance, restriction or charge on the Business of such Subject Company or on any of the Assets of such Subject Company except in the case of clauses (ii), (iii) and (iv) above, for breaches, Defaults, terminations, accelerations, cancellations, violations or creations of Encumbrances which, individually or in the aggregate, would not have a Material Adverse Effect.

(b) None of the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by any of the Sellers with the provisions hereof will result in a violation by such Seller of any law, statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award, except for violations which would not, individually or in the aggregate, have a Material Adverse Effect.

5.8 FINANCIAL STATEMENTS. The Sellers have heretofore caused the Target to deliver to Buyer true and complete copies of the Financial Statements. Except as set forth in Schedule 5.8, the Financial Statements (i) were prepared in accordance with GAAP throughout the periods indicated and (ii) present fairly and accurately in all material respects, as of the respective dates thereof or the periods covered thereby, as applicable, the consolidated financial position, consolidated balance sheet, income statement and cash flow and consolidated results of operations of the Target (except, in the case of the Interim Financial Statements and the monthly unaudited consolidated financial statements, for normal year-end adjustments which were not and are not expected to be material in effect and the absence of footnotes which, if presented, would not differ materially from those included in the Year-End

Financial Statements). As of the Year-End Balance Sheet Date, there were no Liabilities of any Subject Company due or to become due, which, in accordance with GAAP, should have been reflected or shown in the Year-End Financial Statements, which were not so reflected or shown therein. Except as set forth in Schedule 5.8 and for Liabilities incurred pursuant to this Agreement, since the Year-End Balance Sheet Date, there have been no Liabilities incurred by any Subject Company, except for Liabilities (i) incurred in the Ordinary Course of Business which would not, individually or in the aggregate, have a Material Adverse Effect, and (ii) incurred outside the Ordinary Course of Business which do not exceed \$50,000 individually or \$100,000 in the aggregate.

5.9 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Schedule 5.9, since December 31, 1995, there has not been:

(a) to the knowledge of the Sellers, any event which has had or would have a Material Adverse Effect;

(b) except for normal periodic increases in the Ordinary Course of Business, any (i) increase in the compensation payable or to become payable by any Subject Company to any of its current or former officers, employees, or agents (collectively, "PERSONNEL"), (ii) grant, payment or accrual, contingent or otherwise, for or to the credit of any of the Personnel with respect to any bonus, incentive compensation, service award or other like benefit, or (iii) employment agreement (written or verbal) made by any Subject Company to which such Subject Company is a party;

(c) except for Permitted Distributions, any sale, lease, assignment or transfer of any of the Assets of any Subject Company, other than in the Ordinary Course to persons that are not Affiliates;

(d) any cancellation, compromise, waiver or release of any right or claim (or series of related rights or claims) (i) involving an Affiliate of such Subject Company, (ii) involving more than \$50,000, or (iii) outside the Ordinary Course of Business;

(e) any amendment, acceleration, cancellation, termination or modification or threatened acceleration or termination of any Contract, license or other instrument (i) involving an Affiliate of any Subject Company or (ii) involving payments in excess of \$50,000 in the aggregate;

(f) outside of the Ordinary Course of Business, any unfulfilled commitments for capital expenditures or the execution of any Lease, Contract, license, sublease or sublicense (or series of related Contracts, Leases, subleases, licenses or sublicenses) or any incurring of Liability therefor (i) involving an Affiliate of any Subject Company, or (ii) involving payments in excess of \$50,000 in the aggregate;

(g) any delay or failure to repay when due any obligation of any Subject Company, individually in excess of \$100,000, or in the aggregate in excess of \$250,000;

(h) failure to operate the Business of any Subject Company in the Ordinary Course;

(i) any material change in accounting methods or practices by any Subject Company;

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(j) except as contemplated by Section 10.16, any declaration, setting aside for payment or payment of any dividend or distribution in respect of any capital stock of any Subject Company or any redemption, purchase, or other acquisition of any of such Subject Company's equity securities or any bonus, fee or other payment, or any other transfer of any Assets to or on behalf of any shareholder of such Subject Company, any Affiliate of such Subject Company or any Affiliate of any shareholder, including, but not limited to, any payment of principal of or interest on any debt owed to any such shareholder or Affiliate or any payment of a bonus, fee or other payment to any such shareholder or Affiliate as an employee of such Subject Company;

(k) any issuance by any Subject Company of, or commitment of such Subject Company to issue, any shares of stock or other equity securities (or other ownership interests) or obligations or securities convertible into or exchangeable for shares of stock or other equity securities (or such other ownership interests);

(l) any loan to, or any acquisition of the securities or assets of any other Person (i) involving an Affiliate of any Subject Company, (ii) involving more than \$50,000 in the aggregate, or (iii) outside the Ordinary Course of Business;

(m) any loan to, or other agreement with, any present Personnel of any Subject Company outside the Ordinary Course of Business giving rise to any claim or right on its part against the Person or on the part of the Person against it;

(n) any charitable contribution made or pledged by such Subject Company in an aggregate amount in excess of \$50,000;

(o) payment of any expenses relating to the transactions contemplated by this Agreement, including, without limitation, the payment of the fees and expenses of any professionals engaged in connection with the transactions contemplated by this Agreement; or

(p) agreement (either oral or written) by any Subject Company or any of its Personnel to do any of the foregoing.

5.10 THIS SECTION INTENTIONALLY OMITTED.

5.11 ACCOUNTS RECEIVABLE. The accounts receivable reflected on the Interim Balance Sheet, and all accounts receivable of each of the Subject Companies arising since the Interim Balance Sheet Date, represent bona fide claims against debtors for sales made, services performed or other charges arising on or before the date hereof, and all the goods delivered and services performed that gave rise to said accounts were delivered or performed in accordance with the applicable orders, Contracts or customer requirements, subject to the reserves for doubtful accounts appearing in the Interim Financial Statements and the Closing Financial Statements which were established in accordance with GAAP.

5.12 LITIGATION. Except as set forth in Schedule 5.12, there are no Actions pending or, to the knowledge of the Sellers, threatened (a) against, or, to the knowledge of the Sellers, relating to or affecting (i) any Subject Company, the Assets or Facilities of such Subject Company or the Business, (ii) any Employee Plan of any Subject Company or any trust or other funding instrument or any fiduciary or administrator thereof in their capacity as such, (iii) any officers or directors of any Subject Company, as such, or (iv) the transactions contemplated by this Agreement or before or by any

federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, any of which would have a Material Adverse Effect, (b) which, if determined adversely to any Subject Company, would reasonably be expected to enjoin or affect the rights of the parties with respect to the transactions contemplated by this Agreement, (c) that involves a risk of material criminal liability, or (d) in which any Subject Company is a plaintiff, including any derivative suits brought by or on behalf of such Subject Company. No Subject Company is in Default with respect to any judgment, order, writ, injunction or decree of any court or governmental agency, and there are no unsatisfied judgments against such Subject Company or the Business or Assets of such Subject Company.

5.13 LABOR MATTERS. No Subject Company is a party to any labor agreement with respect to its employees with any labor organization, union, group or association and there are no employee unions (nor any other similar labor or employee organizations) under local statute. No Subject Company has, in the past two years, experienced any written, or to the knowledge of the Sellers, other request for an election relating to its employees or an attempt to make such Subject Company enter into a binding agreement with organized labor that would cover the employees of such Subject Company. Schedule 5.13 sets

forth the names and current annual salary rates or current hourly wages of all present employees of any Subject Company whose annual cash compensation for the 1995 fiscal year exceeded \$100,000, and also sets forth the earnings for each such employee as reflected on Form W-2 for the 1995 calendar year. There is no labor strike or material labor disturbance pending or, to the knowledge of the Sellers, threatened against any Subject Company nor, to the knowledge of the Sellers, is any grievance currently being asserted, and in the past two years, no Subject Company has experienced a labor strike or other material labor disturbance.

#### 5.14 PERMITS, CONSENTS AND APPROVALS; COMPLIANCE WITH LAW.

(a) Schedule 5.14(a) sets forth a complete list of all Permits used in the operation of the Business or otherwise owned or validly held by any Subject Company, except for Permits the failure of which to hold or own would not have a Material Adverse Effect, setting forth the grantor, the grantee, the function and the expiration and renewal date of each such Permit. To the knowledge of the Sellers, each Permit listed in Schedule 5.14(a) is valid, binding and in full force and effect. Except such Permits the failure of which to obtain would not have a Material Adverse Effect, each Subject Company has all Permits required under any Regulation for the operation of its Business or the ownership of the Assets, and possesses such Permits free and clear of all Encumbrances except for Permitted Encumbrances and Encumbrances set forth in Schedule 5.14(a). No Subject Company is in Default, nor has any Subject Company received any written, or to the knowledge of the Sellers, other notice of any claim of Default, with respect to any Permit, except for Defaults which, individually or in the aggregate, would not have a Material Adverse Effect. No present or former shareholder, director, officer or employee of any Subject Company or any Affiliate thereof, or any other Person, owns or has any proprietary, financial or other interest (direct or indirect) in any Permit which such Subject Company owns, possesses or uses.

(b) Other than in connection with or in compliance with the provisions of the HSR Act, and except as disclosed in Schedule 5.14(b) hereto, no consent, approval or authorization of, notice to, declaration, filing or registration with, or Permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is required to be made or obtained by any Subject Company or any Seller in connection with the execution, delivery or performance by the Sellers or the Target or any of its Subsidiaries of this Agreement and the consummation by the Sellers or the Target

or any of its Subsidiaries of the transactions contemplated hereby, except for those the failure of which to make or obtain would not have a Material Adverse Effect.

(c) Each Subject Company and the conduct of the Business of each



Subject Company has not violated and is in compliance with all Regulations and Court Orders relating to the Assets or the Business or operations of such Subject Company, except where the violation or failure to comply, individually or in the aggregate, would not have a Material Adverse Effect. No Subject Company and none of the Sellers have received any written, or to the knowledge of the Sellers, other notice to the effect that, any Subject Company is not in compliance with any such Regulations or Court Orders or that any charge or complaint has been brought with respect thereto, which failure to be in compliance, in any one case or in the aggregate, would have a Material Adverse Effect.

#### 5.15 TAX MATTERS

(a) FILING OF TAX RETURNS. Each Subject Company (and any affiliated group of which any such Subject Company is now or has been a member) has timely filed with the appropriate taxing authorities all Returns required to be filed through the date hereof and will timely file any such Returns required to be filed on or prior to the Closing Date. The Returns and other information filed are complete and accurate in all material respects. Except as specified in Schedule 5.15(a), no Subject Company, nor any group of which such Subject Company is now or was a member, has requested any extension of time within which to file Returns in respect of any Taxes. Each Subject Company has delivered to Buyer complete and accurate copies of such Subject Company's foreign, federal, state and local Returns for the years 1993, 1994 and 1995.

(b) PAYMENT OF TAXES. All Taxes payable by any Subject Company or any affiliated group with which any Subject Company files a consolidated or combined Return (whether or not shown on any Return) in respect of Pre-Closing Periods have been timely paid, or will be timely paid, or an adequate reserve has been established therefor, as set forth in the Financial Statements, and no Subject Company has any material Liability for Taxes in excess of the amounts so paid or reserves so established.

(c) AUDITS, INVESTIGATIONS OR CLAIMS. Except as set forth in Schedule 5.15(c), no material deficiencies for Taxes have been claimed, proposed or assessed by any taxing or other governmental authority against any Subject Company. Except as set forth in Schedule 5.15(c), there are no pending or, to the knowledge of the Sellers, threatened audits, investigations or claims for or relating to any material additional Liability in respect of Taxes, and there are no matters under discussion between any Subject Company or any Seller and any governmental authorities with respect to Taxes that in the reasonable judgment of any Subject Company, or its counsel, is likely to result in a material additional Liability for Taxes. Audits of foreign, federal, state, and local Returns by the relevant taxing authorities have been completed for each period and set forth in Schedule 5.15(c) and, except as set forth in Schedule 5.15(c), no Subject Company has been notified that any taxing authority intends to audit a Return for any period. Except as set forth in Schedule 5.15(c), no extension of a statute of limitations relating to Taxes is in effect with respect to any Subject Company.

(d) LIEN. There are no liens for Taxes (other than for current Taxes

not yet due and payable) on the Assets.

(e) SAFE HARBOR LEASE PROPERTY. None of the Assets is property that is required to be treated as being owned by any other Person pursuant to the so-called safe harbor lease provisions of former Section 168(f)(8) of the Code.

(f) SECURITY FOR TAX-EXEMPT OBLIGATIONS. None of the Assets directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(g) TAX-EXEMPT USE PROPERTY. None of the Assets is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(h) FOREIGN PERSON. No Subject Company and no Seller is a Person other than a United States Person within the meaning of the Code.

(i) NO WITHHOLDING. The transaction contemplated herein is not subject to the tax withholding provisions of Section 3406 of the Code, or of Subchapter A of Chapter 3 of the Code or of any other provision of law.

(j) PARTNERSHIP. Except as set forth in the Schedule 5.15(j), no Subject Company is a party to any joint venture, partnership, or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

(k) WITHHOLDING. Each Subject Company has withheld all Taxes required to have been withheld by it in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and such withheld Taxes have either been duly paid to the proper governmental authority or set aside in accounts for such purpose.

(l) COLLAPSIBLE CORPORATIONS. No Subject Company has filed a consent under Code Section 341(f) concerning collapsible corporations.

(m) GOLDEN PARACHUTE PAYMENTS. No Subject Company has made any payments, nor is any Subject Company obligated to make any payments, and no Subject Company is a party to any agreement that could obligate it to make any payments that would not be deductible under Code Section 280G.

(n) TAX ALLOCATION AGREEMENTS. None of the Subject Companies are a party to any Tax allocation or sharing agreement.

(o) JOINT AND SEVERAL LIABILITY. None of the Subject Companies (A) has been a member of any affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which is Target) and (B) has any liability for the Taxes of any person as defined in Section 7701(a)(1) of

the Code (other than the Subject Companies) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(p) NO U.S. INVESTMENT BY FOREIGN SUBSIDIARIES. To the knowledge of the Sellers, neither Smit-Matrix, nor any of the Russian Ventures, nor any of their respective Subsidiaries or Affiliates which are organized under the laws of a country other than the United States (the "Foreign Subsidiaries") has any investment in U.S. property within the meaning of Code Section 956.

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(q) NO SECTION 338 AND 336 ELECTIONS. There are no elections in effect made by any Subject Company pursuant to Code Sections 338 or 336(e) or the regulations thereunder and neither the Company nor any of the Subsidiaries is subject to any constructive elections under Code Section 338 or the regulations thereunder.

(r) CHANGE IN ACCOUNTING METHOD. None of the Subject Companies has agreed to or is required to make any adjustment pursuant to Code Section 481(a) by reason of a change in accounting method initiated by any such company and no Subject Company has knowledge that the Internal Revenue Service has proposed any such adjustment or change in accounting method.

(s) CERTAIN ACTIONS. No Subject Company has taken, and none will take, any action not in accordance with past practice that would have the effect of deferring any Tax liability of a Subject Company from any taxable period ending on or before the Closing Date to any subsequent taxable period.

(t) NO EXCESS LOSS ACCOUNTS. There currently are no excess loss accounts, deferred intercompany gains or losses, or other like items pertaining to any subject Company.

(u) NO TRANSFER PRICING AGREEMENTS. No Subject Company has entered into transfer pricing agreements or other like arrangements with respect to any foreign jurisdiction.

(v) INFORMATION REGARDING FOREIGN SUBSIDIARIES. To the knowledge of the Sellers, none of the Foreign Subsidiaries is (i) engaged in a United States trade or business for federal income tax purposes; (ii) a passive foreign investment company within the meaning of the Code; or (iii) a foreign investment company within the meaning of the Code.

(w) INTERNATIONAL BOYCOTT. No Subject Company has participated in or cooperated with an international boycott or has been requested to do so in connection with any transaction or proposed transaction.

(x) SUBPART F INCOME. Buyer would not be required to include any

amount in gross income with respect to any of the Foreign Subsidiaries pursuant to section 951 of the Code if the taxable year of any such Foreign Subsidiaries were deemed to end on the Closing Date after the Closing.

5.16 SEVERANCE ARRANGEMENTS. Except as set forth in Schedule 5.16, no Subject Company has entered into any severance agreement in respect of any Personnel of such Subject Company that will result in any obligation (absolute or contingent) of Buyer, any Subject Company or any other Person to make any payment to any such Personnel following termination of employment.

5.17 INSURANCE. Schedule 5.17 contains a complete and accurate list, in all material respects, of all policies or binders of fire, liability, title, workers' compensation, product liability and other forms of insurance (showing as to each policy or binder the carrier, policy number, coverage limits, expiration dates, annual premiums and a general description of the type of coverage provided) maintained by each Subject Company on the Business, the Assets or Personnel of such Subject Company. To the knowledge of the Sellers, all of such policies are in full force and effect and are sufficient for compliance with all Contracts to which such Subject Company is a party. No Subject Company is in Default under any of such policies or binders, and no Subject Company has failed to give any notice or to present any claim under any such policy or binder in a due and timely fashion,

except for Defaults or failures to give notice which would not have a Material Adverse Effect. No insurer has advised any Subject Company or the Sellers in writing that it intends to reduce coverage, increase premiums or fail to renew any existing policy or binder. There are no outstanding unpaid premiums except in the ordinary course of business and no notice of cancellation or nonrenewal of any such coverage has been received. There are no provisions in such insurance policies for retroactive or retrospective premium adjustments. All products liability, general liability and workers' compensation insurance policies maintained by any Subject Company have been occurrence policies and not claims made policies. Except as set forth in Schedule 5.17, there are no outstanding performance bonds covering or issued for the benefit of any Subject Company. There are no outstanding unpaid claims under any such policies or binders. No policies or binders will be cancelled by the Target or any of its Subsidiaries before the Closing Date with the current carrier of such policy or binder, PROVIDED, HOWEVER, that if any such policy or binder is cancelled by the carrier, the Sellers shall use commercially reasonable efforts to cause the applicable Subject Company to replace such policy or binder on substantially similar terms and subject to substantially similar conditions. No Subject Company nor any Person to whom any policy referred to in this Section has been issued has received notice that any insurer under such policy is denying liability with respect to a claim thereunder or defending under a reservation of rights clause.

5.18 THIS SECTION INTENTIONALLY OMITTED.

5.19 PAYMENTS. No Subject Company has (i) directly or indirectly, paid or delivered any fee, commission or other sum of money or item or property, however characterized, to any finder, agent, client, customer, supplier, government official or other party, in the United States or any other country, which is in any manner related to the Business, Assets or operations of such Subject Company, and which is, or may be with discovery, illegal under any federal, state or local laws of the United States currently in effect (including without limitation the U.S. Foreign Corrupt Practices Act) or any other country having jurisdiction, (ii) participated, directly or indirectly, in any illegal boycotts or other similar illegal practices affecting any of its actual or potential customers, or (iii) established or maintained any unrecorded fund or asset for any purpose or made any false entries on the Books and Records of such Subject Company for any reason.

5.20 CUSTOMERS AND SUPPLIERS. Schedule 5.20 contains a complete and accurate list of (i) the fifteen (15) largest volume customers (in dollars) of the Subject Companies during the fiscal year ended December 31, 1995, showing the approximate total sales by the Subject Companies to each such customer during such fiscal year; and (ii) the fifteen (15) largest volume suppliers (in dollars) of the Subject Companies during the fiscal year ended December 31, 1995, showing the approximate total purchases by such Subject Company from each such supplier during such fiscal year. Since the Interim Balance Sheet Date, there has been no adverse change in the business relationship with any customer or supplier named in Schedule 5.20, except for changes which, individually or in the aggregate, would not have a Material Adverse Effect.

5.21 BANK ACCOUNTS. Schedule 5.21 contains a true and correct list of the names of each bank, savings and loan, securities broker or other financial institution in which each Subject Company has an account, including cash contribution accounts, or safe deposit boxes, and the names of all Persons authorized to draw thereon or to have access thereto.

5.22 ENVIRONMENTAL MATTERS

(a) COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth in Schedule 5.22(a), each Corporation, the Facilities and, to the knowledge of the Sellers, all Former Facilities have been maintained at all times in compliance with all the Environmental Laws, except for noncompliance which would not have, individually or in the aggregate, a Material Adverse Effect.

(b) PERMITS REQUIRED. Except as set forth in Schedule 5.22(b), the consummation of any of the transactions contemplated by this Agreement will not require an application for the issuance, renewal, transfer or

extension of, or any other administrative action regarding, any Permit required under any Environmental Law, except where the failure to so apply would not have a Material Adverse Effect;

(c) CLAIMS. None of the Corporations has received any written, or to the knowledge of the Sellers, other notice that it is in violation of or in non-compliance with the conditions of any Permit required under any Environmental Law or the provisions of any Environmental Law, nor is there now pending or, to the knowledge of the Sellers, threatened, any Action against any Corporation under any Environmental Law, except for violations, non-compliance or Actions which either singly or in the aggregate would not have a Material Adverse Effect;

(d) JUDGMENTS. There are no consent decrees, judgments, judicial or administrative orders or agreements with, or liens by, any governmental authority or quasi-governmental entity relating to any Environmental Law which regulate, obligate or bind in any way any Corporation or, to the knowledge of the Sellers, otherwise affect any Corporation, Facility or Former Facility;

(e) ENVIRONMENTAL CONDITIONS. Except as set forth in Schedule 5.22(e), there are no Environmental Conditions in any way relating to the Business, including the Owned Real Property and the Leased Real Property that would have a Material Adverse Effect;

(f) STORAGE TANK OR PIPELINE. Except as set forth in Schedule 5.22(f), there is not now and, to the knowledge of the Sellers, there has not been at any time in the past, any underground or above-ground storage tank or pipeline at any Facility or Former Facility where the installation, use, maintenance, repair, testing, closure or removal of such tank or pipeline was not in compliance with all Environmental Laws and there has been no Release from or rupture of any such tank or pipeline, including without limitation any such Release from or in connection with the filling or emptying of such tank that would have a Material Adverse Effect;

(g) ENVIRONMENTAL AUDITS OR ASSESSMENTS. True, complete and correct copies of all Environmental Assessments, have been delivered to Buyer and a list of all such reports, audits and assessments and any other similar report, audit or assessment of which any such Corporation has knowledge is included in Schedule 5.22(g);

(h) INDEMNIFICATION AGREEMENTS. No Corporation is a party, whether as a direct signatory or as successor, assign or third party beneficiary, or otherwise bound, to any Lease or other Contract (excluding insurance policies disclosed in the Disclosure Schedule) under which such Corporation is obligated by or entitled to the benefits of, directly or indirectly, any representation, warranty, indemnification, covenant, restriction or other undertaking concerning Environmental Conditions; and



(i) RELEASES OR WAIVERS. No Corporation has released any other Person from any claim under any Environmental Law or waived any rights concerning any Environmental Condition.

#### 5.23 EMPLOYEE BENEFIT PLANS.

(a) Schedule 5.23 attached hereto sets forth all "employee benefit plans," as defined in Section 3(3) of ERISA, and any other employee benefit plans or arrangements (each, an "EMPLOYEE BENEFIT PLAN" and, collectively, the "EMPLOYEE BENEFIT PLANS"), including, without limitation, severance or termination pay, sick leave, vacation pay, salary continuation for disability, consulting or change in control compensation and death benefit agreements, other compensation agreements, retirement, deferred compensation, bonus, stock option or purchase, hospitalization, medical insurance, life insurance and scholarship programs, any executive arrangements, programs, or contracts, employee fringe benefit arrangements, programs or contracts, and all "employee pension plans," as defined in Section 3(2) of ERISA (the "PENSION PLANS"), (i) sponsored, maintained or contributed by (A) any Subject Company or (B) any other organization which is a member of a controlled group of organizations (within the meaning of Sections 414(b), (c), (m) or (o) of the Code) of which any Subject Company is a member (an "ERISA AFFILIATE"), which covers present or former employees of any Subject Company or any ERISA Affiliate.

(b) No Subject Company nor any ERISA Affiliate currently maintains, sponsors, contributes to or is required to contribute to (or has ever sponsored, maintained or contributed to or been required to sponsor, maintain or contribute to) a Pension Plan subject to Section 412 of the Code or Title IV of ERISA.

(c) Each Pension Plan and related trust intended to qualify under Sections 401(a) and 501 of the Code is subject of a valid opinion letter from the IRS with respect to conformance with Sections 401(a) and 501 of the Code for all periods from the effective date of each such Pension Plan to the date of this Agreement and each of the Subject Companies has adopted all amendments and is in compliance with all applicable requirements in order to rely on such opinion letter for purposes of maintaining a Pension Plan qualified under Sections 401(a) and 501 of the Code.

(d) Neither any Subject Company nor any ERISA Affiliate has at any time contributed to or been required to contribute to a "multiemployer plan" within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA.

(e) All contributions and premium payments required to be made to or with respect to an Employee Benefit Plan prior to the Closing Date have been made when due.



(f) The execution and delivery of this Agreement by the Sellers and the consummation of the transactions contemplated hereunder will not result in any obligation or Liability (with respect to accrued benefits or otherwise) or the acceleration of any obligation or Liability to any Employee Benefit Plan, to any employee or former employee of any Subject Company or any ERISA Affiliate.

(g) There is no material violation of ERISA with respect to the filing of applicable reports, documents, and notices regarding the Employee Benefit Plans with the Secretary of Labor and the Secretary of the Treasury or the furnishing of such documents to the participants or beneficiaries of the Employee Benefit Plans.

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(h) True, correct and complete copies of the following documents, with respect to each of the Employee Benefit Plans, have been delivered or made available to the Buyer by or on behalf of the Subject Companies, where applicable, (i) any plans and related trust documents, and amendments thereto, (ii) the most recent IRS Forms 5500 with all attachments thereto, (iii) IRS opinion letter, and (iv) summary plan descriptions.

(i) There are no pending actions, claims or lawsuits which have been asserted or instituted against any of the Employee Benefit Plans, the assets of any of the trusts under such plans or the plan sponsor or the plan administrator, or, to the knowledge of the Sellers, against any fiduciary of any of the Employee Benefit Plans with respect to the operation of such plans (other than routine benefit claims).

(j) All amendments and actions required to bring the Employee Benefit Plans into conformity in all material respects with the applicable provisions of ERISA and other applicable laws have been made or taken except to the extent that such amendments or actions are not required by law to be made or taken until a date after the Closing Date.

(k) The Employee Benefit Plans have been maintained, in all material respects, in accordance with their terms and with the provisions of ERISA (including the rules and regulations thereunder), the Code and other applicable Federal and state law. Neither any Subject Company nor any ERISA Affiliate has engaged in a prohibited transaction, as such term is defined in Section 4975 of the Code or Section 406 of ERISA, or any transaction in violation of Section 404 or Section 406 of ERISA. To the knowledge of the Sellers, no Person has engaged in a prohibited transaction, as such term is defined in Section 4975 of the Code or Section 406 of ERISA, or any transaction in violation of Section 404 or Section 406 of ERISA.

(l) Neither any Subject Company nor any ERISA Affiliate maintains retired life and retired health insurance plans which are Employee Benefit

Plans which are "welfare benefit plans" within the meaning of Section 3(1) of ERISA and which provide for continuing benefits or coverage for any participant or any beneficiary of a participant except as may be required under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") and at the expense of the participant or the participant's beneficiary. Each Subject Company and each ERISA Affiliate which maintains a "welfare benefit plan" within the meaning of Section 3(1) of ERISA has complied with the notice and continuation requirements of COBRA and the regulations thereunder.

(m) Neither any Subject Company nor any ERISA Affiliate has any announced plan or legally binding commitment (i) to create any additional Employee Benefit Plans which are intended to cover employees or former employees of such Subject Company (with respect to their relationship with such entity) or (ii) amend or modify (other than amendments and modifications required by law) any existing Employee Benefit Plan which covers or has covered employees or former employees of such Subject Company (with respect to their relationship with such entities) which would result in a material Liability to Buyer or any of its Affiliates.

5.24 NO BROKERS OR ADVISORS. Except for Ernst & Young LLP, none of the Subject Companies and none of the Sellers has employed any broker, finder, advisor or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to a broker's, finder's or similar fee or commission in connection therewith or upon the consummation thereof. The Target shall bear the cost of any payments to which Ernst & Young LLP shall be entitled.

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5.25 NO OTHER AGREEMENTS TO SELL THE ASSETS OR CAPITAL STOCK OF ANY SUBJECT COMPANY. Except as set forth in Schedule 5.25, no Subject Company or Seller has any legal obligation, absolute or contingent, to any other Person or firm to sell or effect a sale of all or a material portion of the Assets of any Subject Company, to sell or effect a sale of all or a majority of the capital stock of any Subject Company, or to effect any merger, consolidation or other reorganization of such Subject Company or to enter into any agreement or cause the entering into of an agreement with respect thereto.

#### 5.26 ACQUISITION OF BUYER COMMON STOCK.

(a) Each of the Sellers represents that any shares of Buyer Common Stock acquired by him pursuant to Article II shall be acquired by him for his own account and not as nominee or agent for any other Person and not with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act that would violate the securities laws of the United States of America or any state thereof).

(b) Each of the Sellers is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D under the Securities Act. Each of the Sellers further represents that he is knowledgeable, sophisticated and experienced in business and financial matters and that he is able to bear the economic risks of his investment in the shares of Buyer Common Stock and is currently able to afford the complete loss of such investment.

(c) Each of the Sellers hereby acknowledges that he was afforded the opportunity (i) to ask such questions as he has deemed necessary of, and to receive answers from, representatives of Buyer concerning the terms and conditions of the issuance of shares of Buyer Common Stock and the merits and risks of acquiring such Buyer Common Stock and (ii) to obtain such additional information which Buyer possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy and completeness of the information provided to such Seller. Each of the Sellers acknowledges that he is aware of the LEP Transactions, and that he was afforded the opportunity to exercise the rights set forth in clauses (i) and (ii) above with respect to the LEP Transactions.

(d) Each of the Sellers acknowledges that if he desires to sell or otherwise dispose of all or any shares of Buyer Common Stock acquired by him pursuant to Article II (other than pursuant to an effective registration statement under the Securities Act or a sale or other disposition made pursuant to Rule 144 promulgated thereunder), if requested by Buyer, such Seller will deliver to Buyer an opinion of counsel, reasonably satisfactory in form and substance to Buyer, that registration and qualification under the Securities Act are not required. Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the shares of Buyer Common Stock acquired by the Sellers pursuant to Article II (and all securities issued in exchange therefor or substitution thereof) shall bear the following legends:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THE SAME ARE REGISTERED AND QUALIFIED IN ACCORDANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR IN THE OPINION

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OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY  
SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED."

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THAT CERTAIN SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF NOVEMBER 7, 1996, THAT CERTAIN SECOND AMENDED AND RESTATED

REGISTRATION RIGHTS AGREEMENT DATED AS OF NOVEMBER 7, 1996 AND AN EMPLOYMENT AGREEMENT DATED AS OF NOVEMBER 7, 1996 COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED TO THE HOLDER ON REQUEST TO THE SECRETARY OF THE COMPANY. SUCH STOCKHOLDERS AGREEMENT, REGISTRATION RIGHTS AGREEMENT AND EMPLOYMENT AGREEMENT PROVIDE, AMONG OTHER THINGS, FOR CERTAIN RESTRICTIONS ON VOTING, SALE, TRANSFER, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE AND THAT SUCH SECURITIES MAY BE SUBJECT TO PURCHASE BY THE COMPANY AS WELL AS CERTAIN OTHER PERSONS UPON THE OCCURRENCE OF CERTAIN EVENTS. ANY ISSUANCE, SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE TO PERSONS WHO ARE NOT A PARTY TO SUCH STOCKHOLDERS AGREEMENT INCONSISTENT THEREWITH SHALL BE NULL AND VOID."

5.27 NO SEC DISCLOSURE. Each of the Sellers represents and warrants as to himself that no event has occurred during the past five years that, if such individual were a director or executive officer of a company registered under the Securities Act, would be required to be disclosed pursuant to Item 401(f) of Regulation S-K promulgated under the Securities Act.

5.28 BOOKS AND RECORDS. The minute books and other similar records of the Subject Companies as made available to Buyer prior to the execution of this Agreement contain a true and complete record, in all material respects, of all action taken at all meetings and by all written consents in lieu of meetings of the stockholders of the Subject Companies, the boards of directors and committees of the boards of directors of the Subject Companies. The stock transfer ledgers and other similar records of the Subject Companies as made available to Buyer prior to the execution of this Agreement accurately reflect all record transfers prior to the execution of this Agreement in the capital stock of the Subject Companies.

5.29 NO POWERS OF ATTORNEY. Except as set forth in Schedule 5.29, no Subject Company has delegated any powers of attorney or made any comparable delegations of authority, which delegations remain outstanding.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF THE SELLERS WITH RESPECT TO THE RUSSIAN VENTURES

Each of the Sellers hereby, severally but not jointly, represents and warrants, to the knowledge of such Seller, as follows:

#### 6.1 ORGANIZATION AND CAPITALIZATION.

(a) Each of the Russian Ventures is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, has full power and authority and has taken all action necessary to conduct its Business as it is presently being conducted and to own, lease and operate its properties and Assets. Copies of the foundation agreements, charters, and certificates of registration, or such similar documents as are required in the relevant jurisdiction (the "FOUNDATION DOCUMENTS") of each of the Russian Ventures, and all amendments thereto, heretofore delivered to Buyer, are accurate and complete as of the date hereof.

(b) A list of the owners of all of the issued and outstanding shares of capital stock (or other ownership interests) of each of the Russian Ventures is set forth in Schedule 6.1(b) hereto. All of the outstanding shares of capital stock (or other ownership interests) of each of the Russian Ventures are duly authorized, validly issued, fully paid and non-assessable. The Target has title to all of the outstanding shares of capital stock of each of the Russian Ventures set forth next to its name in Schedule 6.1(b) free and clear of all Encumbrances. There are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) any Russian Venture or any securities convertible into or exchangeable for shares of capital stock or other securities issued by (or other ownership interests in) such Russian Venture or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) such Russian Venture.

(c) Schedule 6.1(c) contains a true, correct and complete list of all Subsidiaries or Affiliates of the Russian Ventures, including the name, jurisdiction of organization and share ownership of each such Subsidiary or Affiliate.

6.2 AUTHORIZATION. Each of the Russian Ventures has all requisite power and authority and has taken all action necessary to own, lease and operate the Assets, and to conduct its Business as it is presently being conducted.

### 6.3 CONTRACTS AND COMMITMENTS.

(a) Schedule 6.3(a) lists the following Contracts to which any Russian Venture is a party, or by which any of such Russian Venture's Assets are bound:

(i) any labor or union contracts;

(ii) any Contracts to employ or terminate or pay severance to Personnel and any other Contracts with present or former officers, directors or shareholders or other personnel or any of any Russian Venture or any of their respective affiliates or family members; and

(iii) any written arrangement with any of its directors, officers, shareholders or employees, any affiliate thereof or any member of any such person's immediate family (x) providing for the furnishing of material services by, (y) providing for the rental of material real or personal property from, or (z) otherwise requiring material payments to (other than for services as officers, directors or employees of any Russian Venture), any such Person or any corporation, partnership, trust or other entity in which any such Person has a substantial interest as a shareholder, officer, director, trustee or partner.

(b) None of the Russian Ventures is a party to any of the Contracts listed below:

(i) any promissory notes, loans, agreements with respect to indebtedness of borrowed money, indentures with respect to indebtedness of borrowed money, evidences of indebtedness, letters of credit, guarantees, or other instruments relating to an obligation to pay money, individually in excess of or in the aggregate in excess of \$25,000, whether any Russian Venture shall be the borrower, lender or guarantor thereunder or whereby any Assets are pledged (excluding credit provided by the Russian Venture in the Ordinary Course of Business to purchasers of its products);

(ii) any written arrangement (or group of related written arrangements) concerning non-competition; or

(iii) any other written arrangement (or group of related written arrangements) under which the consequences of a Default or termination would have a Material Adverse Effect.

The Sellers have delivered to Buyer true, correct and complete, in all material respects, copies of each written Contract listed in Schedule 6.3(a) to which a Russian Venture is a party, including all amendments and supplements thereto, and have included as part of Schedule 6.3(a) a brief summary of any such oral contracts, agreements or other arrangements and any written proposals to enter into any such Contracts. All of the Contracts set forth in Schedule 6.3(a) are valid, binding and enforceable in accordance with their terms, except as such enforceability may be limited by (i) bankruptcy, moratorium, reorganization, and other similar laws affecting creditors' rights generally, and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

#### 6.4 NO CONFLICT OR VIOLATION.

(a) None of the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, will result in (A) a violation of or a conflict with any provision of the Foundation Documents of any Russian Venture, (B) a breach of, or a Default under, or the creation of any right of any party to accelerate, terminate or cancel, any Contract set forth in Schedule 6.3, Permit, authorization or concession to which any Russian Venture is a party or by which any of the

Assets of such Russian Venture are bound, (C) a violation by such Russian Venture of any law, statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award, or (D) an imposition of any Encumbrance, restriction or charge on the Business of such Russian Venture or on any of the Assets of such Russian Venture, except in the case of clauses (B), (C) and (D) above, for breaches, Defaults, terminations, accelerations, cancellations, violations or creations of Encumbrances which, individually or in the aggregate, would not have a Material Adverse Effect.

6.5 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Schedule 6.5, since December 31, 1995, there has not been any event which has had or would have a Material Adverse Effect.

6.6 LIABILITIES. No Russian Venture has any Liabilities or obligations (absolute, accrued, contingent or otherwise) due or to become due, except for Liabilities which, individually or in the aggregate, would not have a Material Adverse Effect.

6.7 LITIGATION. There are no Actions pending or threatened (i) against or relating to or affecting (A) any Russian Venture, the Assets of such Russian Venture or the operation of the Business, (B) any Employee Plan of any Russian Venture or any trust or other funding instrument, or any fiduciary or administrator thereof in their capacity as such, (C) any officers or directors of any Russian Venture, as such or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, any of which would have a Material Adverse Effect, (ii) which, if determined adversely to any Russian Venture, would enjoin or affect the rights of the parties with respect to the transactions contemplated by this Agreement, (iii) that involves a risk of material criminal liability, or (iv) in which any Russian Venture is a plaintiff. No Russian Venture is in Default with respect to any judgment, order, writ, injunction or decree of any court or governmental agency, and there are no unsatisfied judgments against such Russian Venture or the Business or Assets of any Russian Venture.

6.8 PERMITS, CONSENTS AND APPROVALS; COMPLIANCE WITH LAW.

(a) Schedule 6.8(a) sets forth a complete list of all Permits used in the operation of the Business of any Russian Venture or otherwise owned or validly held by any Russian Venture, except for Permits the failure of which to hold or own would not have a Material Adverse Effect, setting forth the grantor, the grantee, the function and the expiration and renewal date of each such Permit. Each Permit listed in Schedule 6.8(a) is valid, binding and in full force and effect. Except such Permits the failure of which to obtain would not have a Material Adverse Effect, each Russian Venture has all Permits required under any Regulation in the operation of its Business or the ownership of the



Assets, and possesses such Permits free and clear of all Encumbrances, except for Permitted Encumbrances and Encumbrances set forth in Schedule 6.8. No Russian Venture is in Default, nor has any Russian Venture received any notice of any claim of Default, with respect to any Permit, except for Defaults which, individually or in the aggregate, would not have a Material Adverse Effect. No present or former director, officer or employee of any Russian Venture or any affiliate thereof, or any other Person, owns or has any proprietary, financial or other interest (direct or indirect) in any Permit which such Russian Venture owns, possesses or uses.

(b) Except as set forth in Schedule 6.8(b), no notice to, consent, approval or authorization of, declaration, filing or registration with, or Permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is required to be made or obtained by any Russian Venture in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby, except for those the failure of which to make or obtain would not have a Material Adverse Effect.

(c) No Russian Venture has, directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, client, customer, supplier, government official or other party, in any country, which is in any manner related to the business, Assets or operations of such Russian Venture, and which is, or may be with the

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passage of time or discovery, illegal under any federal, state or local laws of the United States currently in effect (including, without limitation the U.S. Foreign Corrupt Practices Act) or any other country having jurisdiction. Each Russian Venture and the conduct of the business of each Russian Venture has not violated and is in compliance with all Regulations and Court Orders relating to the Assets or the Business or operations of such Russian Venture, except where the violation or failure to comply, individually or in the aggregate, could not have a Material Adverse Effect. No Russian Venture and none of the Sellers have received any notice to the effect that, any Russian Venture is not in compliance with any such Regulations or Court Orders or that any charge or complaint has been brought with respect thereto, which failure to be in compliance could, in any one case or in the aggregate, have a Material Adverse Effect.

## 6.9 TAX MATTERS.

(a) FILING OF TAX RETURNS. Each Russian Venture has timely filed with the appropriate taxing authorities all returns (including without limitation information returns and other material information) in respect of Taxes required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date. The returns and other information filed are complete and accurate in all material respects.

Each Russian Venture has delivered to Buyer complete and accurate copies of each Russian Venture's tax returns for the years 1993, 1994 and 1995.

(b) PAYMENT OF TAXES. All Taxes payable by any Russian Venture in respect of periods beginning before the Closing Date have been timely paid and no Russian Venture has any Liability for Taxes in excess of \$100,000.

(c) AUDITS, INVESTIGATIONS OR CLAIMS. No material deficiencies for Taxes have been claimed, proposed or assessed by any taxing or other governmental authority against any Russian Venture. There are no pending or threatened audits, investigations or claims for or relating to any material additional Liability in respect of Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in the reasonable judgment of any Russian Venture, or its counsel, is likely to result in a material additional Liability for Taxes.

(d) LIEN. There are no liens for Taxes (other than for current Taxes not yet due and payable) on the Assets of any of the Russian Ventures.

(e) PARTNERSHIP. No Russian Venture is a party to any joint venture, partnership, or other arrangement or contract that could be treated as a partnership for the purpose of applicable tax law.

(f) WITHHOLDING. Each Russian Venture has withheld all Taxes required to have been withheld by it in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and such withheld Taxes have either been duly paid to the proper governmental authority or set aside in accounts for such purpose.

(g) NO U.S. INVESTMENT BY FOREIGN SUBSIDIARIES. None of the Russian Ventures has any investment in U.S. property within the meaning of Code Section 956.

(h) CERTAIN ACTIONS. No Russian Venture has taken, and none will take, any action not in accordance with past practice that would have the effect of deferring any Tax liability of a

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Russian Venture from any taxable period ending on or before the Closing Date to any subsequent taxable period.

(i) NO EXCESS LOSS ACCOUNTS. There currently are no excess loss accounts, deferred intercompany gains or losses, or other like items pertaining to any Russian Venture.

(j) NO TRANSFER PRICING AGREEMENTS. No Russian Venture has entered into transfer pricing agreements or other like arrangements with respect to any foreign jurisdiction including the United States.

(k) INFORMATION REGARDING FOREIGN SUBSIDIARIES. None of the Russian Ventures is (i) engaged in a United States trade or business for federal income tax purposes; (ii) a passive foreign investment company within the meaning of the Code; or (iii) a foreign investment company within the meaning of the Code.

(l) BOOKS AND RECORDS. The minute books and other similar records of the Russian Ventures as made available to Buyer prior to the execution of this Agreement contain a true and complete record, in all material respects, of all action taken at all meetings and by all written consents in lieu of meetings of the Sellers, the boards of directors and committees of the boards of directors of the Russian Ventures. The shareholder's register, the book of pledges and other similar records of the Russian Ventures as made available to Buyer prior to the execution of this Agreement accurately reflect all record transfers prior to the execution of this Agreement in the capital stock of the Russian Ventures.

6.10 BANK ACCOUNTS. Schedule 6.10 contains a true and correct list of the names of each bank or other financial institution in which each Russian Venture has an account, including cash contribution accounts, or safe deposit boxes, and the names of all Persons authorized to draw thereon or to have access thereto.

#### 6.11 ENVIRONMENTAL MATTERS.

(a) COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth in Schedule 6.11(a), each Russian Venture and each of the facilities and former facilities thereof have been maintained at all times in compliance with all environmental laws in the place of its operation, except for noncompliance which would not have, individually or in the aggregate, a Material Adverse Effect; and

(b) JUDGMENTS. There are no consent decrees, judgments, judicial or administrative orders or agreements with, or liens by, any governmental authority or quasi-governmental entity relating to any Environmental Law which regulate, obligate, bind or in any way affect any Russian Venture.

6.12 NO OTHER AGREEMENTS TO SELL THE ASSETS OR CAPITAL STOCK OF SUCH SUBJECT COMPANY. No Russian Venture has any legal obligation, absolute or contingent, to any Person or firm to sell or effect a sale of all or substantially all of its Assets, to sell or effect a sale of any or all of its capital stock, or to effect any merger, consolidation or other reorganization or to enter into any agreement or cause the entering into of an agreement with respect thereto.

6.13 NO POWERS OF ATTORNEY. Except as set forth in Schedule 6.13, no Russian Venture has delegated any powers of attorney or made any comparable delegations of authority, which delegations remain outstanding.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Sellers as follows:

7.1 ORGANIZATION OF BUYER. Buyer is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, has full corporate power and authority and has taken all corporate action necessary to conduct its business as it is presently being conducted and to own, lease and operate its properties and Assets. Buyer is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which such qualification is necessary under the applicable law as a result of the conduct of its business or the ownership (or leasing) of its properties, except where the failure to be so qualified or in good standing would not have a material adverse effect on Buyer or its ability to perform its obligations hereunder. Copies of the Certificate of Incorporation and Bylaws of Buyer and all amendments thereto, heretofore delivered to the Sellers are accurate and correct as of the date hereof.

7.2 AUTHORIZATION. Buyer has all necessary corporate power and authority and has taken all corporate action necessary to enter into this Agreement, to consummate the transactions contemplated hereby and to perform its obligations hereunder and no other actions on the part of Buyer are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and (assuming due authorization, execution and delivery by each of the Sellers) is a legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and (ii) the general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

7.3 NO CONFLICT OR VIOLATION. None of the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by Buyer with the provisions hereof will result in (i) a violation of or a conflict with any provision of the Certificate of Incorporation or Bylaws, each as amended to date, of Buyer, (ii) a breach of, or a default under, or the creation of any right of any party to accelerate, terminate or cancel, any contract, permit, authorization or concession to which Buyer is a party or by which any of the Assets of Buyer is bound, (iii) a violation by Buyer of any law, statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award, or (iv) an imposition of any Encumbrance, restriction or charge on the business of Buyer or on any of the Assets of Buyer, except in the case of clauses (ii), (iii) and (iv) above for breaches, defaults, terminations, accelerations, cancellations, violations, and creations of encumbrances which, individually or in the aggregate, would not have a material adverse effect on the business, operations, conditions (financial or otherwise) or properties of Buyer.

7.4 CONSENTS AND APPROVALS. Other than in connection with or in compliance with the provisions of the HSR Act, no notice to, consent, approval or authorization of, or declaration, filing or registration with, or permit from, any domestic or foreign governmental or regulatory body or authority, or any other Person, is required to be made or obtained by Buyer in connection with the

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execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby.

7.5 CAPITALIZATION. The capitalization of Buyer is set forth in Schedule 7.5 hereto. All of the outstanding shares of capital stock of Buyer and each of its subsidiaries are duly authorized, validly issued, fully paid and non-assessable. Buyer owns all of the issued and outstanding shares of capital stock of each of its direct subsidiaries. Except as set forth in Schedule 7.5, there are no outstanding subscriptions, calls, commitments, warrants or options for the purchase of shares of any capital stock or other securities of (or other ownership interests in) Buyer or its subsidiaries, any securities convertible into or exchangeable for shares of capital stock or other securities issued by (or other ownership interests in) Buyer or its subsidiaries or any other commitments of any kind for the issuance of additional shares of capital stock or other securities issued by (or other ownership interests in) Buyer or its subsidiaries. Schedule 7.5 contains a true, correct and complete list of all direct subsidiaries of Buyer, including the name, jurisdiction of incorporation and share ownership of each such subsidiary, as well as each jurisdiction in which such subsidiary is authorized to do business.

7.6 ISSUANCE OF COMMON STOCK. The shares of Buyer Common Stock to be issued to the Sellers pursuant to Article II will be free and clear of all Encumbrances and will be duly authorized, validly issued, fully paid and non-assessable. The shares of Buyer Common Stock issued to the Sellers pursuant to Article II hereof will not be subject to registration under the Securities Act.

7.7 FINANCIAL STATEMENTS. Buyer has heretofore delivered to the Sellers true and complete copies of the following financial statements: (i) the audited balance sheet of The Bekins Company as of March 31, 1996, (ii) the audited income statement for the year then ended and (iii) the consolidated monthly unaudited financial statement of The Bekins Company for the month ended September 30, 1996, (clauses (i), (ii) and (iii) above, together with the notes thereto, as applicable, being collectively referred to as the "BUYER FINANCIAL STATEMENTS"). The Buyer Financial Statements (i) were prepared in accordance with GAAP throughout the periods indicated and (ii) present fairly and accurately in all material respects, as of the respective dates thereof or the periods covered thereby, as applicable, the consolidated financial position, consolidated balance sheet, income statement and cash flow and consolidated results of operations of The Bekins Company (except in the case of the monthly consolidated unaudited financial statements, for normal year-end adjustments which were not and are not expected to be material in effect, and the absence of

footnotes, which, if inserted, would not differ materially from those included in the audited consolidated financial statements of The Bekins Company dated as of March 31, 1996 for the year then ended). Since the organization of Buyer, until the consummation of the LEP Transactions, The Bekins Company (together with its subsidiaries) has been the sole operating entity owned by Buyer. Except as disclosed in the Buyer Financial Statements, as of March 31, 1996, there were no actual or contingent debts, liabilities or obligations of Buyer which were required by GAAP to be disclosed in the Buyer Financial Statements which were not disclosed on the Buyer Financial Statements. Each of the parties hereto acknowledge that, as of the date hereof, the Buyer has neither made an allocation of the purchase price with respect to its acquisition of The Bekins Company nor completed an amortization schedule with respect to the assets of The Bekins Company.

7.8 LITIGATION. Except as set forth in Schedule 7.8, there is no action, suit, proceeding or investigation pending or, to the knowledge of Buyer, threatened against Buyer, The Bekins Company or any of the subsidiaries of The Bekins Company at law, in equity or otherwise, in, before, or by any court or governmental agency or authority which if adversely determined could reasonably be expected to enjoin or affect the rights of the parties with respect to the transactions contemplated by this Agreement or which is reasonably likely to have a material adverse effect on the business,

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operations, condition (financial or otherwise) or properties of Buyer. The Buyer is not in Default with respect to any judgment, order, writ, injunction, or decree of any court or governmental agency and there are no unsatisfied judgments against Buyer or its Assets or business.

7.9 BROKERS. Buyer has not employed any broker, finder, advisor or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to a broker's, finder's, or similar fee or commission in connection therewith or upon the consummation thereof, other than William E. Myers & Company, the fees of which will be paid by Buyer.

7.10 INVESTMENT. Buyer is acquiring the Target Stock for its own account for investment, without a view to, or for resale in connection with, the distribution thereof in violation of federal or state securities laws and with no present intention of distributing any part thereof. Buyer will not distribute or resell any Target Stock in violation of any such law.

7.11 EQUITY. For the period from May 1, 1996 through the Closing Date, Buyer shall have issued shares of its common stock for cash proceeds of not less than \$45,000,000.

7.12 SOLVENCY. Buyer is not and will not be after giving effect to the transactions contemplated by this Agreement (x) insolvent or (y) left with unreasonably small capital with which to engage in its business as contemplated pursuant to the transactions hereby, and Buyer has not and will not have after



giving effect to the transactions contemplated by this Agreement, incurred debts beyond its ability to pay such debts as they mature.

## ARTICLE VIII

### ACTIONS OF THE SELLERS AND BUYER BEFORE AND AFTER THE CLOSING DATE

Each of the Sellers and Buyer covenant and agree with each other as follows:

8.1 FURTHER ASSURANCES. Upon the terms and subject to the conditions contained herein, each of the parties hereto agree, both before and after the Closing, (i) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, (ii) to execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder, and (iii) to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts (A) to obtain all necessary waivers, consents and approvals from other parties to the Contracts, Intellectual Property Rights and Leases; PROVIDED, HOWEVER, that no party shall be required to make any payments, commence litigation or agree to modifications of the terms thereof in order to obtain any such waivers, consents or approvals, (B) to obtain all necessary Permits as are required to be obtained under any Regulations, (C) to defend all Actions challenging this Agreement or the consummation of the transactions contemplated hereby, (D) to lift or rescind any injunction or restraining order or other Court Order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, (E) to effect all registrations and filings, including without limitation submissions of information requested by governmental authorities, and (F) to fulfill all conditions to this Agreement.

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8.2 EMPLOYEE MATTERS. (a) Following the Closing, Buyer will cause the Subject Companies to continue to offer employment to all of the respective employees (other than the Sellers), with said offer being on remuneration and benefit levels comparable, in the aggregate, to those presently offered by the Subject Companies to such employees. Such employment will be on an "at will" basis and no employee will be guaranteed continuing employment with any Subject Company on an ongoing basis. Each party hereto will cooperate with the other party in their joint efforts to retain such employees.

(b) No provision of this Agreement shall create any third party beneficiary rights in any employees of any Subject Company, any beneficiary or dependents thereof or any collective bargaining representatives thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any employee of any Subject Company by Buyer or under any benefit plan which Buyer may maintain.



8.3 THIS SECTION INTENTIONALLY OMITTED.

8.4 EXCLUDED ASSETS AND EXCLUDED LIABILITIES. On or prior to the Closing, the Target shall cause the Excluded Assets to be distributed to the Sellers and the Sellers shall discharge the Excluded Liabilities.

8.5 CONTRIBUTION OF SEA BRIDGE ASSETS. On or prior to the Closing Date, the Sellers shall create a new wholly-owned subsidiary of the Target in such form as shall be reasonably satisfactory to Buyer and shall cause Sea Bridge to contribute the Sea Bridge Assets to such newly created subsidiary.

8.6 DIVIDENDS AND OTHER DISTRIBUTIONS. Prior to the Closing Date, no Subject Company nor any of its Affiliates shall have set aside, made or otherwise paid any direct or indirect distributions or dividends in respect of the capital stock of (or other ownership interests in) any Subject Company, other than current salaries, from April 9, 1996 through the Closing Date, except for those amounts reserved for such purpose in the Interim Balance Sheet, which, in no event shall be greater than \$2,550,000, (1) MINUS (i) the amount of the Harper Loan (\$169,000) and (ii) the amount of any expenses of professionals or other persons (including without limitation Winthrop, Stimson, Putnam & Roberts and Ernst & Young, LLP) paid or payable by the Target in connection with the transactions contemplated hereby (such distributions referred to herein as "PERMITTED DISTRIBUTIONS"). On or prior to the Closing Date, (i) the Permitted Distributions shall have been made by the Target to the Sellers, (ii) all amounts deducted from the Permitted Distributions shall have been paid to the party to whom such amounts are due and (iii) Buyer shall receive evidence of payment in full of all amounts due by the Target pursuant hereto. The amount of any expenses of professionals or other persons to be paid by the Sellers or the Target in connection with this Agreement after the Closing Date shall be borne exclusively by the Sellers.

8.7 AMENDMENT TO CHARTER AND BYLAWS. The Certificate of Incorporation and/or Bylaws of the Target shall have been amended by the Sellers in a form satisfactory to Buyer to include, without limitation, the establishment of a five person board of directors with two classes of directors. One class of directors ("CLASS B DIRECTORS") will be made up of four directors, each of whom will have

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(1) This number is the sum of the accrued compensation (\$2.7 million) plus the approximate value of the Excluded Liabilities (\$311k) minus the approximate value of the Excluded Assets (\$461).

one vote on all matters presented to such board of directors. The second class of directors ("CLASS A DIRECTORS"), shall be made up of one director who shall have a single vote weighted to equal five times the vote of any individual Class

B Director. The amended Certificate of Incorporation and Bylaws shall become effective as of the Closing. At the Closing, each of the Sellers shall have been designated a Class B Director, and Buyer shall have designated the Class A Director.

## ARTICLE IX

### ACTIONS BY THE SELLERS AND BUYER AFTER THE CLOSING

9.1 BOOKS AND RECORDS. The Sellers and Buyer agree that each will cooperate with and make available to the other party, during normal business hours, all Books and Records of each of the Subject Companies and the books and records of Buyer, information and current Personnel (without substantial disruption of employment) retained and remaining in existence after the Closing Date that are necessary or useful in connection with any Tax inquiry, audit, investigation or dispute, any litigation or investigation or any other matter requiring any such Books and Records (or with respect to Buyer, books and records), information or employees for any reasonable business purpose. The party requesting any such Books and Records (or with respect to Buyer, books and records), information or employees shall bear all of the out-of-pocket costs and expenses (including without limitation, attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing such Books and Records (or with respect to Buyer, books and records), information or employees (except that the costs and expenses of the Sellers of copying applicable sections of the Books and Records for such purpose shall be borne by the Target).

9.2 SURVIVAL OF REPRESENTATIONS, ETC. The representations and warranties of the Sellers and Buyer contained herein and as provided in the preceding sentence shall survive the Closing Date until June 30, 1998; PROVIDED, HOWEVER, that the representations and warranties contained in Section 5.22 shall survive the Closing Date until June 30, 1999, and the representations and warranties contained in Section 5.15 and Section 5.23 shall continue to survive until sixty (60) days after the expiration of the applicable statute of limitations (giving effect to any waiver or extension thereof).

### 9.3 INDEMNIFICATIONS.

(a) BY THE SELLERS. In addition to the indemnification obligations of the Sellers set forth in Article X hereof, the Sellers shall severally, but not jointly, indemnify, save and hold harmless Buyer, the Subject Companies, their respective Affiliates and Subsidiaries, and each of their respective representatives (collectively, the "BUYER INDEMNIFIED PARTIES"), from and against any and all costs, losses, Liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, losses in connection with any Environmental Law (including without limitation any clean-up, remedial correction or responsive action), damages to the environment, attorneys' fees and all amounts paid in investigation, defense

or settlement of any of the foregoing (herein, "DAMAGES"), incurred in connection with, arising out of, resulting from or incident to (i) any breach of any representation or warranty made by the Sellers (other than any representation or warranty contained in Section 5.15 of this Agreement, for which indemnification is provided pursuant to the terms of Section 10.1 hereof) in this Agreement; (ii) any breach of any covenant or agreement made by the Sellers in this Agreement; (iii) any Liabilities or obligations of any of the Subject Companies in connection with

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Abe Ranish's purchase and ownership of shares of Buyer common stock; (iv) any Liability or obligations of the Sellers with respect to Smit-Matrix incurred or arising out of occurrences on or prior to the Closing; or (v) any Excluded Liability.

The term "DAMAGES" as used in this Section 9.3 is not limited to matters asserted by third parties against any indemnified party, but includes Damages incurred or sustained by an indemnified party in the absence of third party claims. Payments by any indemnified party of amounts for which such indemnified party is indemnified hereunder shall not be a condition precedent to recovery. The rights and remedies provided in this Article IX shall be exclusive as to any Damages incurred by a party under this Agreement; PROVIDED, HOWEVER, that nothing herein shall preclude a party from exercising its rights under this Agreement and applicable law to such equitable remedies, including without limitation specific performance and injunctions.

(b) BY BUYER. Buyer shall indemnify and save and hold harmless the Sellers and their respective Affiliates and representatives (the "SELLER INDEMNIFIED PARTIES") from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to (i) any breach of any representation or warranty made by Buyer in this Agreement; or (ii) any breach of any covenant or agreement made by Buyer in this Agreement; (iii) any Liabilities of any Subject Company arising on or prior to the Closing Date (except for (A) the Excluded Liabilities, and (B) any Liabilities incurred or assumed by the Sellers or any Subject Company or Russian Venture in or pursuant to this Agreement, including without limitation the obligations of the Sellers set forth in Sections 9.3(a) and 10.1.)

(c) COOPERATION. The indemnified party shall cooperate in all reasonable respects with the indemnifying party and its representatives (including without limitation its attorneys) in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; PROVIDED, HOWEVER, that the indemnified party may, at its own cost, participate in negotiations, arbitrations and the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The parties shall cooperate with each other in any notifications to insurers.

(d) DEFENSE OF CLAIMS. If a claim for Damages (a "CLAIM") is to be made by a party entitled to indemnification hereunder against the

indemnifying party, the party claiming such indemnification shall, subject to Section 9.2 hereof, give written notice (a "CLAIM NOTICE") to the indemnifying party as soon as practicable after the party entitled to indemnification becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 9.3. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event within thirty (30) calendar days after the service of the citation or summons). The failure of any indemnified party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the indemnifying party has been damaged by such failure. After such notice, if the indemnifying party promptly (and in any event within 30 days) confirms in writing to the indemnified party that the indemnifying party shall assume the defense and management of the claim under the terms of its indemnity hereunder, then the indemnifying party shall be entitled, if it so elects at its own cost, risk and expense, (i) to take control of the defense and investigation of such lawsuit or action, (ii) to employ and engage attorneys of its own choice, but, in any event, reasonably acceptable to the indemnified party, to handle and defend the same unless the named parties to such action or proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party has been advised in writing by counsel that there may be one or more legal defenses available to such indemnified party that are different from or additional to those available to the indemnifying party, in which event the

indemnified party shall be entitled, at the indemnifying party's cost, risk and expense, to separate counsel of its own choosing, and (iii) to compromise or settle such lawsuit or action, which compromise or settlement shall be made only with the written consent of the indemnified party, such consent not to be unreasonably withheld. If, at any time, the indemnifying party hereunder reasonably believes that any part of a Claim for which it has agreed to assume the defense, negotiation, investigation and management involves matters beyond the scope of its indemnification obligations hereunder, the indemnifying party shall so notify the indemnified party in writing of such determination and the indemnified party shall have the right, at its own cost and expense, to assume the defense, negotiation, investigation and management of such portion of such Claim; PROVIDED, HOWEVER, that if such portion of such Claim is ultimately determined to have been the obligation of the indemnifying party pursuant to the terms of the indemnification obligations described herein, all reasonable costs and expenses incurred by the indemnified party in connection with its defense, negotiation, investigation and management of such portion of such Claim shall be reimbursed to the indemnified party by the indemnifying party. If the indemnifying party fails to assume the defense of such lawsuit or action within thirty (30) calendar days after receipt of the Claim Notice, the indemnified party against which such lawsuit or action has been asserted will

(upon delivering notice to such effect to the indemnifying party) have the right to undertake, at the indemnifying party's cost and expense, the defense, compromise or settlement of such lawsuit or action on behalf of and for the account and risk of the indemnifying party; PROVIDED, HOWEVER, that such Lawsuit or action shall not be compromised or settled without the written consent of the indemnifying party, which consent shall not be unreasonably withheld. In the event the indemnified party assumes the defense of the lawsuit or action, the indemnified party will keep the indemnifying party reasonably informed of the progress of any such defense, compromise or settlement. The indemnifying party shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 9.3 and for any final judgment (subject to any right of appeal), and the indemnifying party agrees to indemnify and hold harmless an indemnified party from and against any Damages by reason of such settlement or judgment.

(e) BROKERS AND FINDERS; ADVISORS. Other than William E. Myers & Co. and Ernst & Young, LLP, no agent, broker, investment banker, financial advisor or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated hereby. Each party hereto agrees to hold the other parties hereto harmless from and against any and all claims, liabilities or obligations with respect to any such fee or commission or expenses related thereto asserted by any Person (i) with respect to any such fee or commission or expenses related thereto or (ii) on the basis of any act or statement alleged to have been made by any party hereto or any of their respective representatives or Affiliates, it being understood and agreed that the cost of any payments to which Ernst & Young LLP shall be entitled shall be deducted from the Permitted Distributions and shall be paid by the Target prior to Closing pursuant to Section 8.6.

(f) REPRESENTATIVES. No individual representative of any party shall be personally liable for any Damages under the provisions contained in this Section 9.3. Nothing herein shall relieve either party of any Liability to make any payment expressly required to be made by such party pursuant to this Agreement.

(g) LIMITATION ON INDEMNITY/COMMITMENTS.

(i) The indemnification obligation of the parties hereto with respect to any breach of any representation or warranty pursuant to Sections 9.3(a) or (b) shall be limited to Claims for Damages made prior to last date of survival thereof referred to in Section 9.2. The

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indemnification obligation of the parties hereto with respect to any breach of any covenant or agreement pursuant to Sections 9.3(a) or (b) shall survive indefinitely subject to the terms of this Agreement.

(ii) The Buyer Indemnified Parties may not recover Damages

from any Seller pursuant to Section 9.3(a)(i) until the aggregate amount of Damages relating to such Claims for which the Buyer Indemnified Parties, in the aggregate, are seeking indemnification under Section 9.3(a)(i) exceeds two hundred and fifty thousand dollars (\$250,000); PROVIDED, HOWEVER, in the event that the aggregate amount of Damages for which the Buyer Indemnified Parties are seeking indemnification under Section 9.3(a)(i) exceeds such amount, the Buyer Indemnified Parties may recover the full amount of such Damages less two hundred thousand dollars (\$200,000) (the "DEDUCTIBLE"). Notwithstanding the foregoing, the maximum amount of Damages for which the Sellers shall be liable pursuant to this Section 9.3 shall be \$20,000,000 plus (in the case of payments to the Sellers pursuant to Section 3.1(c)) or minus (in the case of payments to Buyer pursuant to Section 3.1(b)) the amount of any post closing adjustment as set forth in Section 3.1 hereof. The Buyer Indemnified Parties shall have the right to make a Claim hereunder prior to the time at which the Deductible (if any) that is applicable to such Claim has been surpassed for the purpose of asserting such Claim within the relevant survival period of the applicable indemnification obligation, and any such Claim made within such period shall, to the extent such Deductible ultimately is met, survive until its final resolution.

(iii) The Seller Indemnified Parties may not recover Damages from Buyer pursuant to Section 9.3(b)(i) until the aggregate amount of Damages for which the Seller Indemnified Parties, in the aggregate, are seeking indemnification exceeds two hundred and fifty thousand dollars (\$250,000); PROVIDED, HOWEVER, in the event that the aggregate amount of Damages for which the Sellers Indemnified Parties, are seeking indemnification under Section 9.3(b)(i) exceeds such amount, the Seller Indemnified Parties may recover the full amount of such Damages less the Deductible. Notwithstanding the foregoing, the maximum amount of Damages for which Buyer shall be liable pursuant to this Section 9.3 shall be an amount equal to \$10,000,000. The Seller Indemnified Parties shall have the right to make a Claim hereunder prior to the time at which the Deductible (if any) that is applicable to such Claim has been surpassed for the purpose of asserting such Claim within the relevant survival period of the applicable indemnification obligation, and any such Claim made within such period shall, to the extent such Deductible ultimately is met, survive until its final resolution.

(iv) The Sellers' liability under the indemnification provisions of Section 9.3(a) hereof or otherwise under this Agreement shall be subject to reduction in an amount equal to the value of any (i) net tax benefit (giving effect to the time value of money at a discounting rate of 10%) realized by Buyer (by reason of a tax deduction, basis adjustment, shifting of income, credits and/or deductions or otherwise from one or more fiscal periods to another); (ii) insurance benefit realized by Buyer in connection with the loss or damage suffered by Buyer which forms the basis of the Sellers' liability hereunder and (iii) third party (i.e., non-Seller) indemnified benefit realized by Buyer in connection with the loss or damage suffered by Buyer which forms the basis of Sellers' liability hereunder; PROVIDED, HOWEVER, that Buyer shall have no obligation to pursue



any benefits described in clause (iii) above but shall be required to pursue benefits described in clause (ii) above, in each case before making a claim against the Sellers pursuant to the terms of this Section 9.3;

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(v) Buyer's liability under the indemnification provisions of Section 9.3(b) hereof or otherwise under this Agreement shall be subject to reduction in an amount equal to the value of any (i) net tax benefit any Seller (giving effect to the time value of money at a discounting rate of 10%) realized (by reason of a tax deduction, basis adjustment, shifting of income, credits and/or deductions or otherwise from one or more fiscal periods to another); (ii) insurance benefit realized by any Seller in connection with the loss or damage suffered by such Seller which forms the basis of Buyer's liability hereunder and (iii) third party (i.e., non-Buyer) indemnified benefit realized by Buyer in connection with the loss or damage suffered by the Sellers which forms the basis of Buyer's liability hereunder; PROVIDED, HOWEVER, that the Sellers shall have no obligation to pursue any benefits described in clause (iii) above but shall be required to pursue benefits described in clause (ii) above, in each case before making a claim against Buyer pursuant to the terms of this Section 9.3;

(vi) Neither (a) the termination of the representations or warranties contained herein, nor (b) the expiration of the indemnification obligations described above, will affect the rights of a Person in respect of any Claim made by such Person received by the indemnifying party prior to the expiration of the applicable survival period provided herein;

(vii) It is specifically understood and agreed that in the event a misrepresentation made herein or pursuant hereto or a breach of any representation, warranty or covenant contained herein is discovered by any party hereto and asserted by it after the Closing, the remedy of such party shall be limited to indemnification as set forth in Section 9.3(a) (in the case of Buyer) and Section 9.3(b) (in the case of the Sellers) hereof (as limited by the provisions set forth in this Section or elsewhere in this Agreement), and such party shall not be entitled to the rescission of this Agreement, nor shall a multiplier be used in the computation of Damages as the amount of a Claim, nor shall such party otherwise be entitled to any consequential damages including, without limitation, lost profits.

9.4 FURTHER ACTIONS. (a) Following the Closing, the Sellers agree to execute such documents and take such actions as may be requested by Buyer's counsel and otherwise cooperate with Buyer and its Affiliates and their representatives in connection with any filings required to be made with the Securities and Exchange Commission as a consequence of the transactions contemplated by this Agreement.

## ARTICLE X



10.1 TAX INDEMNIFICATION. Except to the extent covered by Liabilities or reserves reflected on the Closing Balance Sheet, the Sellers shall be responsible for and pay and shall, severally, but not jointly, indemnify and hold harmless Buyer and each of the Subject Companies (and each of their respective Affiliates, successors and assigns) with respect to (i) any and all Taxes imposed on any of the Subject Companies, or for which any of the Subject Companies is liable, with respect to any Pre-Closing Periods, (ii) all Taxes arising out of a breach of the Sellers' representations and warranties contained in Section 5.15 hereof and (iii) any costs or expenses ("LOSSES") with respect to the Taxes indemnified hereunder.

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10.2 APPORTIONMENT. Any Taxes with respect to any Subject Company that relate to a Tax period beginning on or before the Closing Date and ending after the Closing Date (an "OVERLAP PERIOD") shall be apportioned between the Pre-Closing Period and the Post-Closing Period, (i) in the case of real or personal property Taxes (and any other Taxes not measured or measurable, in whole or in part, by net or gross income or receipts), on a per diem basis and, (ii) in the case of other Taxes, as determined from the Books and Records of such Subject Company during the portion of such period ending on the Closing Date and the portion of such period beginning on the day following the Closing Date consistent with the past practices of each Subject Company. Buyer shall cause each Subject Company to file any Returns for any Overlap Period, and Buyer shall pay all Taxes shown as due on any such Returns. The Sellers shall pay Buyer all such Taxes apportioned to the Pre-Closing Period (to the extent not paid by any Subject Company prior to the Closing Date or accrued or otherwise reflected as a Liability on the Closing Balance Sheet) due pursuant to the filing of any such Returns under the provisions of this Section 10.2(b) within fifteen (15) business days of receipt of notice of such filing by Buyer, which notice shall set forth in reasonable detail the calculations regarding the Sellers' share of such Taxes.

10.3 REFUNDS. Buyer agrees to assign and promptly remit (and to cause each Subject Company to assign and promptly remit) all refunds (including interest thereon) net of any tax effect to Buyer or any Subject Company, received by Buyer or any Subject Company of any Taxes for which the Sellers have indemnified Buyer or any Subject Company hereunder; PROVIDED, HOWEVER, that Buyer shall be entitled to the portion of any refund resulting from a carryback of a net operating loss, net capital loss, tax credit or similar item sustained or arising in any period after the Closing Date. Buyer agrees that upon reasonable request of the Sellers, Buyer shall file or cause the Subject Companies to file, at the Sellers' reasonable expense, a claim for refund of any Tax for which the Sellers have indemnified Buyer or the Subject Companies hereunder with the exception of any resulting from the operation of the Subject Companies subsequent to the Closing Date.

10.4 RETURNS. The Sellers shall prepare or cause to be prepared, and

timely file or cause to be filed, all Returns of any Subject Company for all taxable periods of such Subject Company ending on or prior to the Closing Date and shall pay or cause to be paid all Taxes due with respect to such Returns. With respect to any such Returns required to be filed by the Sellers and not required to be filed before the Closing Date, the Sellers shall provide Buyer and its authorized representatives with copies of any such completed Return at least fifteen (15) business days prior to the due date for filing of such Return and Buyer and its representatives shall have the right to review such Return prior to the filing of such Return. The Sellers and Buyer agree to consult and resolve in good faith any issues arising as a result of such review.

10.5 OTHER MATTERS. (a) Buyer shall pay, or cause to be paid, and shall indemnify and hold harmless the Sellers (and each of their successors and assigns) against any Liability for Taxes imposed on Buyer or any Subject Company or for which the Buyer or any Subject Company is liable with respect to Post-Closing Periods.

(b) Buyer shall promptly notify the Sellers in writing upon receipt by Buyer or any Affiliate of Buyer of notice of (i) any pending or threatened federal, state, local or foreign Tax audits or assessments of any Subject Company, so long as any Pre-Closing Period remains open, and (ii) any pending or threatened federal, state, local or foreign Tax audits or assessments of Buyer or any Affiliate of Buyer which may affect the Tax Liabilities of any Subject Company with respect to any Pre-Closing Period. The Sellers shall promptly notify Buyer in writing upon receipt by the Sellers or

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any Affiliate of the Sellers of notice of any pending or threatened federal, state, local or foreign Tax audits or assessments relating to the income, properties or operations of any Subject Company.

(c) Buyer shall have the right to represent the interests of any Subject Company in any Tax audit or administrative or court proceeding relating to any Returns (including any proceeding relating to such Subject Company for Pre-Closing Periods). In the event that Buyer compromises or settles any Tax claim, or consents or agrees to any Tax Liability, relating to any Subject Company for any Pre-Closing Period, the Sellers shall have the right to review such compromise, settlement, consent or agreement. Notwithstanding anything to the contrary contained or implied in this Agreement, without the prior written consent of the Sellers, not to be unreasonably withheld, neither Buyer nor any of its Affiliates shall agree or consent to compromise or settle, either administratively or after the commencement of litigation, any issue or claim arising in any such audit or proceeding, or otherwise agree or consent to any Tax Liability of Buyer, any of its Affiliates, or any Subject Company, to the extent that any such compromise, settlement, consent or agreement may affect the Tax Liability of the Sellers, any of their respective Affiliates, or any Subject Company for any Pre-Closing Period (including without limitation the reduction of asset basis or cost adjustments, the lengthening of any amortization or depreciation periods, the denial of amortization or depreciation deductions, or

the reduction of loss or credit carrybacks).

(d) After the Closing Date, Buyer and the Sellers shall make available to the other, as reasonably requested, all information, records or documents relating to Tax Liabilities or potential Tax Liabilities of the Sellers, any Affiliate of the Sellers or any Subject Company for any Pre-Closing Period, and shall preserve all such information, records and documents until 60 days following the expiration of any applicable statute of limitations, including extensions thereof, or such other period as required by law or upon request of the other party. Buyer and the Sellers shall also make available to each other as reasonably requested by Buyer or the Sellers, as the case may be, personnel responsible for preparing or maintaining information, records and documents, in connection with Tax matters. In case at any time after the Closing Date any further action is necessary to carry out the purposes of this Agreement, the parties hereto shall take all such necessary action.

(e) All sales, value added, use, state or local transfer and gains Taxes, registration, stamp and similar Taxes imposed in connection with the transactions contemplated by this Agreement shall be borne equally by Buyer, on the one hand, and the Sellers, on the other hand.

(f) Any payments made to the Sellers, any Subject Company or Buyer pursuant to this Article X or in Article IX shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by Buyer and the Sellers on their Returns to the extent permitted by law.

(g) All Tax sharing or similar agreements, if any, to which any Subject Company is a party will be canceled at or prior to the Closing and neither the Buyer nor any Subject Company shall have any obligation under any such agreement.

## ARTICLE XI

### MISCELLANEOUS

11.1 ASSIGNMENT. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party without the prior written consent of the other party; except that Buyer may, without such consent, assign all such rights to any lender as collateral security and assign all such rights and obligations to a wholly owned subsidiary (or a partnership controlled by Buyer) or Subsidiaries of Buyer or to a successor in interest to Buyer which shall assume all obligations and Liabilities of Buyer under this Agreement, PROVIDED, HOWEVER, that no such assignment by Buyer shall relieve Buyer in any way of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (E.G., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to any of the Sellers, addressed to such Seller at:

Matrix International Logistics, Inc.  
205 South Whiting Street  
Alexandria, VA 22304  
Telephone: (703) 461-8700  
Telecopy: (703) 461-3679

with a copy to:

Winthrop, Stimson, Putnam & Roberts  
One Battery Park Plaza  
New York, New York 10004  
Attn: Kenneth E. Adelsberg  
Telephone: (212) 858-1000  
Telecopy: (212) 858-1500

If to Buyer, addressed to:

International Logistics Limited  
310 South Street  
Morristown, NJ 07962  
Attention: Roger E. Payton  
Telephone: (201) 898-0290  
Telecopy: (201) 898-0840

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With a copy to:

Latham & Watkins  
633 W. Fifth Street, Suite 4000  
Los Angeles, CA 90071-2007  
Attn: Paul D. Tosetti  
Telephone: (213) 485-1234  
Telecopy: (213) 891-8763

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

11.3 CHOICE OF LAW. This Agreement shall be construed in accordance

with and governed by the laws of the State of New York (without giving effect to its choice of law principles), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.

11.4 ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement, together with all exhibits and schedules hereto (including the Disclosure Schedule and the other agreements referred to herein), constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

11.5 MULTIPLE COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.6 EXPENSES. Except as otherwise specified herein, Buyer shall pay its own legal, accounting, out-of-pocket and other expenses incident to this Agreement and to any action taken by Buyer in preparation for carrying this Agreement into effect. Subject to the provisions of Section 8.6 of this Agreement, the Target shall pay the legal, accounting, out-of-pocket and other expenses of the Sellers incidental to this Agreement and to any action taken by the Sellers in preparation for carrying this Agreement into effect, which expenses shall be deducted from the Permitted Distributions as set forth in Section 8.6 of this Agreement.

11.7 INVALIDITY. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

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11.8 TITLES. The titles, captions or headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

11.9 PUBLICITY. Except as required by law, neither Buyer nor the Target or the Sellers shall issue any press release or make any public statement

regarding this Agreement and the transactions contemplated hereby, without prior written approval of the other party; PROVIDED, HOWEVER, that in the case of announcements, statements, acknowledgments or revelations which either party is required by law to make, issue or release, the making, issuing or releasing of any such announcement, statement, acknowledgment or revelation by the party so required to do so by law shall not constitute a breach of this Agreement if such party shall have given, to the extent reasonably possible, not less than two (2) calendar days prior notice to the other party, and shall have attempted, to the extent reasonably possible, to clear such announcement, statement, acknowledgment or revelation with the other party. Each party hereto agrees that it will not unreasonably withhold any such consent or clearance. Buyer may, with the consent of Sellers, issue or make an appropriate press release or public announcement after the Closing.

#### 11.10 CONFIDENTIAL INFORMATION.

(a) NO DISCLOSURE. The parties acknowledge that the transaction described herein is of a confidential nature and shall not be disclosed except to consultants, advisors and Affiliates, or as required by law, until such time as the parties make a public announcement regarding the transaction as provided in Section 11.9.

(b) PRESERVATION OF CONFIDENTIALITY. In connection with the negotiation of this Agreement, the preparation for the consummation of the transactions contemplated hereby, and the performance of obligations hereunder, Buyer acknowledges that it will have access to confidential and proprietary information relating to the Subject Companies and the Target and the Sellers acknowledge that they will have access to confidential information relating to the Buyer and its Affiliates, in each case, including technical, manufacturing or marketing information, ideas, methods, developments, inventions, improvements, business plans, trade secrets, scientific or statistical data, diagrams, drawings, specifications or other proprietary information relating thereto, together with all analyses, compilations, studies or other documents, records or data prepared by the Target or Buyer, as the case may be, or their respective representatives or Affiliates, which contain or otherwise reflect or are generated from such information ("CONFIDENTIAL INFORMATION"). The term "CONFIDENTIAL INFORMATION" does not include information received by one party in connection with the transactions contemplated hereby which (i) is or becomes generally available to the public other than as a result of a disclosure by such party or its representatives, (ii) was within such party's possession prior to its being furnished to such party by or on behalf of the other party in connection with the transactions contemplated hereby, provided that the source of such information was not known by such party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information or (iii) becomes available to such party on a non-confidential basis from a source other than the other party or any of their respective representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information.



(c) Each party shall treat all Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information,

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except to its representatives and Affiliates who need to know such Confidential Information in connection with the transactions contemplated hereby. Each party shall use all reasonable efforts to cause its representatives to treat all such Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information. Each party shall be responsible for any breach of this Agreement by any of its representatives. If, however, Confidential Information is disclosed, the party responsible for such disclosure shall immediately notify the other party in writing and take all reasonable steps required to prevent further disclosure.

(d) Until the Closing or the termination of this Agreement, all Confidential Information shall remain the property of the party who originally possessed such information. In the event of the termination of this Agreement for any reason whatsoever, each party shall, and shall cause its representatives to, return to the other party all Confidential Information (including all copies, summaries and extracts thereof) furnished to such party by the other party in connection with the transactions contemplated hereby.

(e) If one party or any of its representatives or Affiliates is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or other similar process) or is required by operation of law to disclose any Confidential Information, such party shall provide the other party with prompt written notice of such request or requirement, which notice shall, if practicable, be at least 48 hours prior to making such disclosure, so that the other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of such a waiver, such party or any of its representatives are nonetheless, in the opinion of counsel, legally compelled to disclose Confidential Information, then such party may disclose that portion of the Confidential Information which such counsel advises is legally required to be disclosed, provided that such party uses its reasonable efforts to preserve the confidentiality of the Confidential Information, whereupon such disclosure shall not constitute a breach of this Agreement.

11.11 BURDEN AND BENEFIT. This Agreement shall be binding upon and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns. There are no third party beneficiaries of this Agreement; PROVIDED, HOWEVER, that any Person that is not a party to this Agreement but, by the terms of Section 9.3 or Section 10.1, is entitled to indemnification, shall be considered a third party beneficiary of this Agreement, with full rights of enforcement as though such Person was a signatory



to this Agreement.

11.12 KNOWLEDGE. Whenever a phrase herein is qualified by "to the knowledge of the Sellers" or a similar phrase, it is intended to refer to the actual knowledge of the Sellers, collectively, after having made a reasonable investigation of the circumstances forming the basis of his knowledge by consulting with those persons listed in Schedule 11.12 hereto, it being understood that the Sellers shall have no other investigatory obligations. Notwithstanding the foregoing, Buyer and the Sellers agree and acknowledge that (i) the Sellers were actively involved in the organization of the Russian Ventures, (ii) the Sellers have been and are currently involved in the conduct, operation and financial administration of the Russian Ventures and (iii) "the knowledge of the Sellers" with respect to the representations and warranties made by the Sellers in Article VI of this Agreement incorporates the collective knowledge acquired by the Sellers as a result of such involvement.

11.13 ATTORNEYS' FEES. If any party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses,

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including without limitation reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action.

11.14 RELIANCE ON REPRESENTATIONS AND WARRANTIES. The Sellers and the Target understand that Buyer, and for purposes of certain opinions to be delivered at the Closing, Latham & Watkins and Winthrop, Stimson, Putnam & Roberts, will rely upon the accuracy and truth of the representations and warranties set forth in Article V and it hereby consents to such reliance. Buyer understands that Latham & Watkins and Winthrop, Stimson, Putnam & Roberts, for purposes of certain opinions to be delivered at the Closing, will rely upon the accuracy and truth of the representations and warranties set forth in Article VII and it hereby consents to such reliance.

11.15 THIS SECTION INTENTIONALLY OMITTED.

11.16 LIMITATION OF LIABILITY. Notwithstanding anything to the contrary in this Agreement, in no event shall any party hereto be liable for any incidental or consequential damages occasioned by any failure to perform or the breach of any obligation under this Agreement.

11.17 ADDITIONAL SURVIVAL. In addition to the survival of representations and warranties and other provisions referenced in Section 11.2 of this Agreement, which shall survive pursuant to the terms of such Section, the obligations of the Sellers and Buyer contained in Sections 2.1, 3.1, 3.2, 4.2, 4.3, 8.1, 8.2 and 11.10 and in Articles IX and X of this Agreement shall survive the Closing Date indefinitely.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

BUYER:

INTERNATIONAL LOGISTICS LIMITED

/s/ Roger E. Payton

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By: Roger E. Payton

Title: President

SELLERS:

/s/ Douglas Cruikshank

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Douglas Cruikshank

/s/ Ronald S. Cruse

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Ronald S. Cruse

/s/ Steve Hitchcock

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Steve Hitchcock

/s/ Paul D. Smith

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Paul D. Smith

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#### SCHEDULES

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| Schedule 5.25  | Agreements to Sell Assets or Capital Stock                             |
| Schedule 5.29  | Power of Attorney  |
| Schedule 6.1   | Russian Ventures' Organization; Capitalization                         |
| Schedule 6.3   | Russian Ventures' Contracts and Commitments                            |
| Schedule 6.5   | Russian Ventures' Absence of Certain Changes or Events                 |
| Schedule 6.8   | Russian Ventures' Permits, Consents, Approvals, Compliance<br>with Law |
| Schedule 6.10  | Russian Ventures' Bank Accounts  |
| Schedule 6.11  | Russian Ventures' Environmental Matters                                |
| Schedule 6.13  | Russian Ventures' Power of Attorney                                    |
| Schedule 7.5   | Buyer's Capitalization   |
| Schedule 7.8   | Buyer's Litigation   |
| Schedule 11.12 | Sellers' Knowledge   |

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
FOR THE PERIODS ENDED

<TABLE>  
<CAPTION>

|  | DECEMBER 31, 1996<br>-----<br><C> | SEPTEMBER 30, 1997<br>-----<br><C> |
|--|-----------------------------------|------------------------------------|
| EARNINGS                                     |                                   |                                    |
| Loss before extraordinary item and taxes     | \$ (22,385)                       | \$ (16,445)                        |
| Add(Subtract):                               |                                   |                                    |
| Fixed Charges                                | 12,444                            | 8,867                              |
| Share of loss in Equity Investments          | 2,344                             | 814                                |
| Gain on Sale of Business                     | (655)                             | -                                  |
|  | -----                             | -----                              |
| Adjusted Earnings                            | (8,252)                           | (8,884)                            |
|  | -----                             | -----                              |
|  | -----                             | -----                              |
| FIXED CHARGES                                |                                   |                                    |
| Interest Charges                             | 11,715                            | 8,288                              |
| Rent expense attributable to interest        | 24                                |                                    |
| Amortization of Debt issuance costs          | 705                               | 579                                |
|  | -----                             | -----                              |
| Total Fixed Charges                          | \$ 12,444                         | \$ 8,867                           |
|  | -----                             | -----                              |
|  | -----                             | -----                              |
| Ratio of Earnings to fixed charges           | -                                 | -                                  |
|  | -----                             | -----                              |
|  | -----                             | -----                              |
| Earnings insufficient to cover fixed charges | \$20,696                          | \$15,531                           |
|  | -----                             | -----                              |
|  | -----                             | -----                              |

</TABLE>

<TABLE>  
<CAPTION>

EXHIBIT 21.1

INTERNATIONAL LOGISTICS LIMITED AND SUBSIDIARIES  
ORGANIZATIONAL CHART

| International Logistics Limited<br>(Delaware) |   |  |   |                                    |  |
|---|---|--|---|------------------------------------|--|
| <S><br>LIW Holdings Corp.<br>(Delaware)       | <C><br>The Bekins Company<br>(Delaware) | <C><br>LEP Profit<br>International, Inc.<br>(Delaware) | <C><br>ILLCAN, Inc.<br>(Delaware)   | <C><br>ILLSCOT, Inc.<br>(Delaware) | <C><br>Matrix International<br>Logistics, Inc.<br>(Delaware) |
|   |   |  | 90%   | 10%                                |  |
| See Schedule A                                | See Schedule B                          | See Schedule C   |   |                                    | See Schedule D   |
|   |   |  | LEP International, Co.<br>(Canada; Nova Scotia<br>unlimited liability<br>company) |                                    |  |

</TABLE>

<TABLE>  
<CAPTION>

SCHEDULE A

| LIW HOLDINGS CORP.<br>(DELAWARE)                                     |  |   |  |  |
|--|--|---|--|--|
| LEP International<br>Worldwide<br>Limited (U.K.)<br>(United Kingdom) |  |   |  |  |
| <S><br>LEP International<br>Limited<br>(United Kingdom)              | <C><br>LEP International,<br>S.A.<br>(Spain) | <C><br>LEP International<br>(Far East) Limited<br>(Hong Kong) | <C><br>LEP International<br>(S) Pte Ltd<br>(Singapore) | <C><br>LEP International<br>Philippines, Inc.<br>(Philippines) |
|  | LEP Albarelli<br>S.P.A.<br>(Italy)           | LEP International<br>B.V.<br>Netherlands                      | LEP International<br>GmbH<br>(Germany)                 | AB Olson &<br>Wright<br>(Sweden)                               |

</TABLE>

SCHEDULE B

The Bekins Company  
(Delaware)

Bekins Van Lines Company  
(Nebraska)

SCHEDULE C

| LEP Profit International, Inc.<br>(Delaware) |   |   |
|--|---|---|
| LEP Fairs, Inc.<br>(Georgia)                 | Airfreight Consolidators<br>International, Inc.<br>(New York) | LEP Profit International, Inc.<br>(Puerto Rico) |

SCHEDULE D

Matrix International Logistics  
Inc.  
(Delaware)

|                                     |                                 |   |                              |
|-------------------------------------|---------------------------------|---|------------------------------|
| Bay Area Matrix, Inc.<br>(Delaware) | L.A. Matrix, Inc.<br>(Delaware) | Southwest Matrix,<br>Inc.<br>(Delaware) | Matrix CT Inc.<br>(Delaware) |
|-------------------------------------|---------------------------------|---|------------------------------|

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of International Logistics Limited on Form S-4 of our reports dated March 31, 1997 and September 8, 1997, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

-----  
DELOITTE & TOUCHE LLP  
Chicago, Illinois  
December 17, 1997



CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of International Logistics Limited of our report dated October 3, 1997, relating to the financial statements of LEP International Worldwide Limited, which appears on page F-22 of such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Price Waterhouse has not prepared or certified such "Selected Financial Data."

/s/ PRICE WATERHOUSE

PRICE WATERHOUSE  
London  
England

December 17, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our firm) included in or made as part of this Registration Statement on Form S-4 of International Logistics Limited.

December 18, 1997

/s/ Arthur Andersen LLP

-----

ARTHUR ANDERSEN LLP

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON PAGES F-5 AND F-6 OF THE COMPANYS FORM S-4 FOR THE YEAR ENDED DECEMBER 31, 1996 AND THE PERIOD ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0001015527

<NAME> INTERNATIONAL LOGISTICS LIMITED

<MULTIPLIER> 1,000

| <S>                          | <C>         | <C>         |
|------------------------------|-------------|-------------|
| <PERIOD-TYPE>                | 12-MOS      | 9-MOS       |
| <FISCAL-YEAR-END>            | DEC-31-1996 | DEC-31-1997 |
| <PERIOD-START>               | JAN-01-1996 | JAN-01-1997 |
| <PERIOD-END>                 | DEC-31-1996 | SEP-30-1997 |
| <CASH>                       | 3,424       | 26,124      |
| <SECURITIES>                 | 0           | 0           |
| <RECEIVABLES>                | 123,153     | 269,701     |
| <ALLOWANCES>                 | 3,675       | 14,882      |
| <INVENTORY>                  | 0           | 0           |
| <CURRENT-ASSETS>             | 135,036     | 310,498     |
| <PP&E>                       | 13,448      | 50,847      |
| <DEPRECIATION>               | 1,667       | 4,151       |
| <TOTAL-ASSETS>               | 236,684     | 457,431     |
| <CURRENT-LIABILITIES>        | 123,144     | 310,634     |
| <BONDS>                      | 0           | 0           |
| <PREFERRED-MANDATORY>        | 0           | 8,052       |
| <PREFERRED>                  | 0           | 0           |
| <COMMON>                     | 2           | 2           |
| <OTHER-SE>                   | 40,617      | 29,243      |
| <TOTAL-LIABILITY-AND-EQUITY> | 236,684     | 457,431     |
| <SALES>                      | 225,793     | 550,141     |
| <TOTAL-REVENUES>             | 225,793     | 550,141     |
| <CGS>                        | 181,208     | 436,466     |
| <TOTAL-COSTS>                | 235,072     | 564,263     |
| <OTHER-EXPENSES>             | 0           | 0           |
| <LOSS-PROVISION>             | 0           | 0           |
| <INTEREST-EXPENSE>           | 2,981       | 5,765       |
| <INCOME-PRETAX>              | (12,260)    | (19,799)    |
| <INCOME-TAX>                 | (4,013)     | (6,546)     |
| <INCOME-CONTINUING>          | (8,247)     | (13,253)    |
| <DISCONTINUED>               | 0           | 0           |
| <EXTRAORDINARY>              | (997)       | 0           |
| <CHANGES>                    | 0           | 0           |
| <NET-INCOME>                 | (9,244)     | (13,253)    |
| <EPS-PRIMARY>                | (7.37)      | (6.48)      |

<EPS-DILUTED>

0

0

</TABLE>

LETTER OF TRANSMITTAL

INTERNATIONAL LOGISTICS LIMITED

OFFER TO EXCHANGE ITS  
9 3/4% SENIOR NOTES DUE 2007  
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933  
FOR ANY AND ALL OF ITS OUTSTANDING  
9 3/4% SENIOR NOTES DUE 2007

PURSUANT TO THE PROSPECTUS  
DATED \_\_\_\_\_, 1998

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,  
NEW YORK CITY TIME, ON \_\_\_\_\_, 1998, UNLESS THE OFFER IS EXTENDED

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:  
FIRST TRUST NATIONAL ASSOCIATION

BY MAIL/OVERNIGHT DELIVERY/HAND:

180 East Fifth Street  
St. Paul, Minnesota 55101  
Attention: Specialized Finance Department

TO CONFIRM BY TELEPHONE OR FOR INFORMATION:  
(612)244-1215

FACSIMILE TRANSMISSIONS:  
(612)244-1537

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET  
FORTH ABOVE OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA FACSIMILE  
TO A NUMBER OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID  
DELIVERY.

THE INSTRUCTIONS CONTAINED HEREIN SHOULD BE READ CAREFULLY BEFORE THIS  
LETTER OF TRANSMITTAL IS COMPLETED.

Capitalized terms used but not defined herein shall have the same meaning given  
them in the Prospectus (as defined below).

This Letter of Transmittal is to be completed by holders of the Old Notes  
(as defined below) either if Old Notes are to be forwarded herewith or  
if tenders of Old Notes are to be made by book-entry transfer to an  
account maintained by First Trust National Association (the "Exchange Agent")  
at The Depository Trust Company ("DTC") pursuant to the procedures set forth  
in "The Exchange Offer -- Procedures for Tendering the Old Notes"  
in the Prospectus.

Holders of Old Notes whose certificates (the "Certificates") for such  
Old Notes are not immediately available or who cannot deliver their  
Certificates and all other required documents to the Exchange Agent on  
or prior to the Expiration Date or who cannot complete the procedures  
for book-entry transfer on a timely basis, must tender their Old Notes  
according to the guaranteed delivery procedures set forth in "The Exchange  
Offer -- Procedures for Tendering the Old Notes" in the Prospectus.

DELIVERY OF DOCUMENTS TO THE COMPANY OR DTC DOES NOT CONSTITUTE DELIVERY  
TO THE EXCHANGE AGENT.

NOTE: SIGNATURES MUST BE PROVIDED BELOW  
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

-1-

ALL TENDERING HOLDERS COMPLETE THIS BOX

DESCRIPTION OF OLD NOTES TENDERED

<TABLE>  
<CAPTION>

|   |                                  |   |  |
|---|----------------------------------|---|--|
| Please Print Name and Address of<br>Registered Holder<br>(Please Fill in if Blank)<br><S> | Certificate<br>Number(s)*<br><C> | Old Notes Tendered<br>(Attach Additional List of<br>Necessary)<br><C> | Principal Amount of<br>Old Notes Tendered (if Principal<br>Amount of Old Notes Less than All)**<br><C> |
|---|----------------------------------|---|--|

TOTAL AMOUNT TENDERED:  
</TABLE>

- \* Need not be completed by book-entry holders.  
 \*\* Old Notes may be tendered in whole or in part in denominations of \$1,000 and integral multiples hereof.

(BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTIONS ONLY)

/ / CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY  
 BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT  
 WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution \_\_\_\_\_  
 DTC Account Number \_\_\_\_\_  
 Transaction Code Number \_\_\_\_\_

/ / CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED  
 DELIVERY IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE  
 OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND  
 COMPLETE THE FOLLOWING:

Name of Registered Holder(s) \_\_\_\_\_  
 Window Ticket Number (if any) \_\_\_\_\_  
 Date of Execution of Notice of Guaranteed Delivery \_\_\_\_\_  
 Name of Institution Which Guaranteed Delivery \_\_\_\_\_

If Guaranteed Delivery is to be made By Book-Entry Transfer:

Name of Tendering Institution \_\_\_\_\_  
 DTC Account Number \_\_\_\_\_  
 Transaction Code Number \_\_\_\_\_

/ / CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED  
 OLD NOTES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT NUMBER SET  
 FORTH ABOVE.

/ / CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE OLD NOTES  
 FOR ITS OWN ACCOUNT AS A RESULT OF MARKET MAKING OR OTHER TRADING  
 ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE 10  
 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR  
 SUPPLEMENTS THERETO.

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_

-2-

Ladies and Gentlemen:

The undersigned hereby tenders to International Logistics Limited, (the "Company"), the above described aggregate principal amount of the Company's 9 3/4% Senior Notes Due 2007 (the "Old Notes") in exchange for a like aggregate principal amount of the Company's 9 3/4% Senior Notes Due 2007 (the "New Notes") which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), upon the terms and subject to the conditions set forth in the Prospectus dated \_\_\_\_\_, 1998 (as the same may be amended or supplemented from time to time, the "Prospectus"), receipt of which is acknowledged, and in this Letter of Transmittal (which, together with the Prospectus, constitute the "Exchange Offer").

Subject to and effective upon the acceptance for exchange of all or any portion of the Old Notes tendered herewith in accordance with the terms and conditions of the Exchange Offer (including, if the Exchange Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to such Old Notes as are being tendered herewith. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as its agent and attorney-in-fact (with full knowledge that the Exchange Agent is also acting as agent of the Company in connection with the Exchange Offer) with respect to the tendered Old Notes, with full power of substitution (such power of attorney being

deemed to be an irrevocable power coupled with an interest), subject only to the right of withdrawal described in the Prospectus, to (i) deliver Certificates for Old Notes to the Company together with all accompanying evidences of transfer and authenticity to, or upon the order of, the Company, upon receipt by the Exchange Agent, as the undersigned's agent, of the New Notes to be issued in exchange for such Old Notes, (ii) present Certificates for such Old Notes for transfer, and to transfer the Old Notes on the books of the Company, and (iii) receive for the account of the Company all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms and conditions of the Exchange Offer.

THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS THAT THE UNDERSIGNED HAS FULL POWER AND AUTHORITY TO TENDER, EXCHANGE, SELL, ASSIGN AND TRANSFER THE OLD NOTES TENDERED HEREBY AND THAT, WHEN THE SAME ARE ACCEPTED FOR EXCHANGE, THE COMPANY WILL ACQUIRE GOOD, MARKETABLE AND UNENCUMBERED TITLE THERETO, FREE AND CLEAR OF ALL LIENS, RESTRICTIONS, CHARGES AND ENCUMBRANCES, AND THAT THE OLD NOTES TENDERED HEREBY ARE NOT SUBJECT TO ANY ADVERSE CLAIMS OR PROXIES. THE UNDERSIGNED WILL, UPON REQUEST, EXECUTE AND DELIVER ANY ADDITIONAL DOCUMENTS DEEMED BY THE COMPANY OR THE EXCHANGE AGENT TO BE NECESSARY OR DESIRABLE TO COMPLETE THE EXCHANGE, ASSIGNMENT AND TRANSFER OF THE OLD NOTES TENDERED HEREBY, AND THE UNDERSIGNED WILL COMPLY WITH ITS OBLIGATIONS UNDER THE REGISTRATION RIGHTS AGREEMENT. THE UNDERSIGNED HAS READ AND AGREES TO ALL OF THE TERMS OF THE EXCHANGE OFFER.

The names(s) and address(es) of the registered holder(s) of the Old Notes tendered hereby should be printed above, if they are not already set forth above, as they appear on the Certificates representing such Old Notes. The Certificate number(s) and the Old Notes that the undersigned wishes to tender should be indicated in the appropriate boxes above.

If any tendered Old Notes are not exchanged pursuant to the Exchange Offer for any reason, or if Certificates are submitted for more Old Notes than are tendered or accepted for exchange, Certificates for such nonexchanged or nontendered Old Notes will be returned (or, in the case of Old Notes tendered by book-entry transfer, such Old Notes will be credited to an account maintained at DTC), without expense to the tendering holder, promptly following the expiration or termination of the Exchange Offer.

The undersigned understands that tenders of Old Notes pursuant to any one of the procedures described in "The Exchange Offer -- Procedures for Tendering the Old Notes" in the Prospectus and in the instructions hereto will, upon the Company's acceptance for exchange of such tendered Old Notes, constitute a binding agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer. The undersigned recognizes that, under certain circumstances set forth in the Prospectus, the Company may not be required to accept for exchange any of the Old Notes tendered hereby.

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Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, the undersigned hereby directs that the New Notes be issued in the name(s) of the undersigned or, in the case of a book-entry transfer of the Old Notes, that such New Notes be credited to the account indicated above maintained at DTC. If applicable, substitute Certificates representing the Old Notes not exchanged or not accepted for exchange will be issued to the undersigned or, in the case of a book-entry transfer of Old Notes, will be credited to the account indicated above maintained at DTC. Similarly, unless otherwise indicated under "Special Delivery Instructions," please deliver New Notes to the undersigned at the address shown below the undersigned's signature.

BY TENDERING OLD NOTES AND EXECUTING THIS LETTER OF TRANSMITTAL, THE UNDERSIGNED HEREBY REPRESENTS AND AGREES THAT (I) THE UNDERSIGNED IS NOT AN "AFFILIATE" OF THE COMPANY, (II) ANY NEW NOTES TO BE RECEIVED BY THE UNDERSIGNED ARE BEING ACQUIRED IN THE ORDINARY COURSE OF ITS BUSINESS, (III) THE UNDERSIGNED HAS NO ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON TO PARTICIPATE IN A DISTRIBUTION (WITHIN THE MEANING OF THE SECURITIES ACT) OF NEW NOTES TO BE RECEIVED IN THE EXCHANGE OFFER, AND (IV) IF THE UNDERSIGNED IS NOT A BROKER-DEALER, THE UNDERSIGNED IS NOT ENGAGED IN, AND DOES NOT INTEND TO ENGAGE IN, A DISTRIBUTION (WITHIN THE MEANING OF THE SECURITIES ACT) OF SUCH NEW NOTES. BY TENDERING OLD NOTES PURSUANT TO THE EXCHANGE OFFER AND EXECUTING THIS LETTER OF TRANSMITTAL, A HOLDER OF OLD NOTES WHICH IS A BROKER-DEALER REPRESENTS AND AGREES, CONSISTENT WITH CERTAIN INTERPRETIVE LETTERS ISSUED BY THE STAFF OF THE DIVISION OF CORPORATION FINANCE OF THE SECURITIES AND EXCHANGE COMMISSION TO THIRD PARTIES, THAT (A) SUCH OLD NOTES HELD BY THE BROKER-DEALER ARE HELD ONLY AS A NOMINEE, OR (B) SUCH OLD NOTES WERE ACQUIRED BY SUCH BROKER-DEALER FOR ITS OWN ACCOUNT AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES AND IT WILL DELIVER THE PROSPECTUS (AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME) MEETING THE REQUIREMENTS OF THE SECURITIES ACT IN CONNECTION WITH ANY RESALE OF SUCH



NEW NOTES (PROVIDED THAT, BY SO ACKNOWLEDGING AND BY DELIVERING A PROSPECTUS, SUCH BROKER-DEALER WILL NOT BE DEEMED TO ADMIT THAT IT IS AN "UNDERWRITER" WITHIN THE MEANING OF THE SECURITIES ACT).

THE COMPANY HAS AGREED THAT, SUBJECT TO THE PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT, THE PROSPECTUS, AS IT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, MAY BE USED BY A PARTICIPATING BROKER-DEALER (AS DEFINED BELOW) IN CONNECTION WITH REALES OF NEW NOTES RECEIVED IN EXCHANGE FOR OLD NOTES, WHERE SUCH OLD NOTES WERE ACQUIRED BY SUCH PARTICIPATING BROKER-DEALER FOR ITS OWN ACCOUNT AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES, FOR A PERIOD OF UP TO ONE YEAR AFTER THE DATE WHEN THE REGISTRATION STATEMENT BECOMES EFFECTIVE OR, IF EARLIER, WHEN ALL SUCH NEW NOTES HAVE BEEN DISPOSED OF BY SUCH PARTICIPATING BROKER-DEALER. IN THAT REGARD, EACH BROKER-DEALER WHO ACQUIRED OLD NOTES FOR ITS OWN ACCOUNT AS A RESULT OF MARKET-MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER"), BY TENDERING SUCH OLD NOTES AND EXECUTING THIS LETTER OF TRANSMITTAL, AGREES THAT UPON RECEIPT OF NOTICE FROM THE COMPANY OF THE OCCURRENCE OF ANY EVENT OR THE DISCOVERY OF ANY FACT WHICH MAKES ANY STATEMENT CONTAINED OR INCORPORATED BY REFERENCE IN THE PROSPECTUS UNTRUE IN ANY MATERIAL RESPECT OR WHICH CAUSES THE PROSPECTUS TO OMIT TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS CONTAINED OR INCORPORATED BY REFERENCE THEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING OR OF THE OCCURRENCE OF CERTAIN OTHER EVENTS SPECIFIED IN THE REGISTRATION RIGHTS AGREEMENT, SUCH PARTICIPATING BROKER-DEALER WILL SUSPEND THE SALE OF NEW NOTES PURSUANT TO THE PROSPECTUS UNTIL THE COMPANY HAS AMENDED OR SUPPLEMENTED THE PROSPECTUS TO CORRECT SUCH MISSTATEMENT OR OMISSION AND HAS FURNISHED COPIES OF THE AMENDED OR SUPPLEMENTED PROSPECTUS TO THE PARTICIPATING BROKER-DEALER OR THE COMPANY HAS GIVEN NOTICE THAT THE SALE OF THE NEW NOTES MAY BE RESUMED, AS THE CASE MAY BE. IF THE COMPANY GIVES SUCH NOTICE TO SUSPEND THE SALE OF THE NEW NOTES, IT SHALL EXTEND THE ONE YEAR PERIOD REFERRED TO ABOVE DURING WHICH PARTICIPATING BROKER-DEALERS ARE ENTITLED TO USE THE PROSPECTUS IN CONNECTION

4

WITH THE RESALE OF NEW NOTES BY THE NUMBER OF DAYS DURING THE PERIOD FROM AND INCLUDING THE DATE OF THE GIVING OF SUCH NOTICE TO AND INCLUDING THE DATE ON WHICH THE COMPANY HAS GIVEN NOTICE THAT THE SALE OF NEW NOTES MAYBE RESUMED, AS THE CASE MAY BE.

All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns of the undersigned. Except as stated in the Prospectus, this tender is irrevocable.

HOLDER(S) SIGN HERE

(SEE INSTRUCTIONS 2, 5 AND 6)

(PLEASE COMPLETE SUBSTITUTE FORM W-9 ON PAGE 13)

(NOTE: SIGNATURE(S) MUST BE GUARANTEED IF REQUIRED BY INSTRUCTION 2)

Must be signed by registered holder(s) exactly as name(s) appear(s) on Certificate(s) for the Old Notes hereby tendered or on a security position listing, or by any person(s) authorized to become the registered holder(s) by endorsements and documents transmitted herewith (including such opinions of counsel, certifications and other information as may be required by the Company or the Trustee for the Old Notes to comply with the restrictions on transfer applicable to the Old Notes). If signature is by an attorney-in-fact, executor, administrator, trustee, guardian, officer of a corporation or another acting in a fiduciary capacity or representing capacity, please set forth the signer's full title. See Instruction 5.

(SIGNATURE(S) OF HOLDER(S))

Date: \_\_\_\_\_, 1997

Name(s) \_\_\_\_\_

(PLEASE PRINT)

Capacity (full title) \_\_\_\_\_

Address \_\_\_\_\_

(INCLUDE ZIP CODE)

Area Code and Telephone Number \_\_\_\_\_

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER(S))

GUARANTEE OF SIGNATURE(S)  
(SEE INSTRUCTIONS 2 AND 5)

(AUTHORIZED SIGNATURE)

Date: \_\_\_\_\_, 1997

Name of Firm \_\_\_\_\_

Capacity (full title) \_\_\_\_\_  
(PLEASE PRINT)

Address \_\_\_\_\_

(INCLUDE ZIP CODE)

Area Code and Telephone Number \_\_\_\_\_

-6-

<TABLE>  
<CAPTION>

<S>

SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if the New Notes are to be issued in  
the name of someone other than the registered holder of the  
Old Notes whose name(s) appear(s) above.

Issue:  
/ / Old Notes not tendered  
/ / New Notes, to:

Name(s) \_\_\_\_\_  
Address \_\_\_\_\_

(INCLUDE ZIP CODE)

Area Code and Telephone Number \_\_\_\_\_

(TAX IDENTIFICATION OR SOCIAL  
SECURITY NUMBER(S))

</TABLE>

<C>

SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if New Notes are to be sent to  
someone other than the registered holder of the Old Notes  
whose name(s) appear(s) above, or such registered holder(s) at  
an address other than that shown above.

Send:  
/ / Old Notes not tendered  
/ / New Notes, to:

Name(s) \_\_\_\_\_  
Address \_\_\_\_\_

(INCLUDE ZIP CODE)

Area Code and Telephone Number \_\_\_\_\_

(TAX IDENTIFICATION OR SOCIAL  
SECURITY NUMBER(S))

#### INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES; GUARANTEED  
DELIVERY PROCEDURES. This Letter of Transmittal is to be completed either if  
(a) Certificates are to be forwarded herewith or (b) tenders are to be made  
pursuant to the procedures for tender by book-entry transfer set forth in  
"The Exchange Offer--Procedures for Tendering Old Notes" in the Prospectus.  
Certificates, or timely confirmation of a book-entry transfer of such Old  
Notes into the Exchange Agent's account at DTC, as well as this Letter of  
Transmittal (or facsimile thereof), properly completed and duly executed,  
with any required signature guarantees, and any other documents required by  
this Letter of Transmittal, must be received by the Exchange Agent at its

address set forth herein on or prior to the Expiration Date. Old Notes may be tendered in whole or in part in the principal amount of \$1,000 and integral multiples of \$1,000.

Holders who wish to tender their Old Notes and (i) whose Old Notes are not immediately available or (ii) who cannot deliver their Old Notes, this Letter of Transmittal and all other required documents to the Exchange Agent on or prior to the Expiration Date or (iii) who cannot complete the procedures for delivery by book-entry transfer on a timely basis, may tender their Old Notes by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer--Procedures for Tendering Old Notes" in the Prospectus. Pursuant to such procedures: (i) such tender must be made by or through an Eligible Institution (as defined below); (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by the Company, must be received by the Exchange Agent on or prior to the Expiration Date; and (iii) the Certificates (or a book-entry confirmation (as defined in the Prospectus)) representing all tendered Old Notes, in proper form for transfer, together with a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent within five New York Stock Exchange, Inc. trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in "The Exchange Offer--Guaranteed Delivery Procedures" in the Prospectus.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile or mail to the Exchange Agent, and must include a guarantee by an Eligible Institution in the form set forth in such Notice. For Old Notes to be properly tendered pursuant to the guaranteed delivery procedure, the Exchange Agent must receive a Notice of Guaranteed Delivery on or prior to the Expiration Date. As used herein and in the Prospectus, "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as "an eligible guarantor institution," including (as such terms are defined therein) (i) a bank; (ii) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association.

THE METHOD OF DELIVERY OF CERTIFICATES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING HOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, OR OVERNIGHT DELIVERY SERVICE IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

The Company will not accept any alternative, conditional or contingent tenders. Each tendering holder, by execution of a Letter of Transmittal (or facsimile thereof), waives any right to receive any notice of the acceptance of such tender.

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2. GUARANTEE OF SIGNATURES. No signature guarantee on this Letter of Transmittal is required if:

- (i) this Letter of Transmittal is signed by the registered holder (which term, for purposes of this document, shall include any participant in DTC whose name appears on a security position listing as the owner of the Old Notes) of Old Notes tendered herewith, unless such holder(s) has completed either the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" above, or
- (ii) such Old Notes are tendered for the account of a firm that is an Eligible Institution.

In all other cases, an Eligible Institution must guarantee the signature(s) on this Letter of Transmittal. See Instruction 5.

3. INADEQUATE SPACE. If the space provided in the box captioned "Description of Old Notes" is inadequate, the Certificate number(s) and/or the principal amount of Old Notes and any other required information should be listed on a separate signed schedule which is attached to this Letter of Transmittal.

4. PARTIAL TENDERS AND WITHDRAWAL RIGHTS. Tender of the Old Notes will be accepted only in the principal amount of \$1,000 and integral

multiples thereof. If less than all the Old Notes evidenced by any Certificate submitted are to be tendered, fill in the principal amount of the Old Notes which are to be tendered in the box entitled "Principal Amount of Old Notes Tendered (if less than all)." In such case, new Certificate(s) for the remainder of the Old Notes that were evidenced by your old Certificate(s) will only be sent to the holder of the Old Note, promptly after the Expiration Date. All Old Notes represented by Certificates delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

Except as otherwise provided herein, tenders of the Old Notes may be withdrawn at any time on or prior to the Expiration Date. In order for a withdrawal to be effective on or prior to that time, a written, telegraphic, telex or facsimile transmission of such notice of withdrawal must be timely received by the Exchange Agent at one of its addresses set forth above or in the Prospectus on or prior to the Expiration Date. Any such notice of withdrawal must specify the name of the person who tendered the Old Notes to be withdrawn, the aggregate principal amount of Old Notes to be withdrawn, and (if Certificates for Old Notes have been tendered) the name of the registered holder of the Old Notes as set forth on the Certificate for the Old Notes, if different from that of the person who tendered such Old Notes. If Certificates for the Old Notes have been delivered or otherwise identified to the Exchange Agent, then prior to the physical release of such Certificates for the Old Notes, the tendering holder must submit the serial numbers shown on the particular Certificates for the Old Notes to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Old Notes tendered for the account of an Eligible Institution. If Old Notes have been tendered pursuant to the procedures for book-entry transfer set forth in "The Exchange Offer--Procedures for Tendering Old Notes," the notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawal of Old Notes, in which case a notice of withdrawal will be effective if delivered to the Exchange Agent by written, telegraphic, telex or facsimile transmission. Withdrawals of tenders of Old Notes may not be rescinded. Old Notes properly withdrawn will not be deemed validly tendered for purposes of the Exchange Offer, but may be retendered at any subsequent time on or prior to the Expiration Date by following any of the procedures described in the Prospectus under "The Exchange Offer--Procedures for Tendering Old Notes."

All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices will be determined by the Company, in its sole discretion, whose determination shall be final and binding on all parties. Neither the Company, any affiliates or assigns of the Company, the Exchange Agent nor any

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other person shall be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give any such notification. Any Old Notes which have been tendered but which are withdrawn will be returned to the holder thereof without cost to such holder promptly after withdrawal.

5. SIGNATURES ON LETTER OF TRANSMITTAL, ASSIGNMENTS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Old Notes tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the Certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Old Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Old Notes are registered in different name(s) on several Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal (or facsimiles thereof) as there are different registrations of Certificates.

If this Letter of Transmittal or any Certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence satisfactory to the Company, in its sole discretion, of such persons' authority to so act.

When this Letter of Transmittal is signed by the registered owner(s) of the Old Notes listed and transmitted hereby, no endorsement(s) of Certificate(s) or separate bond power(s) are required unless New Notes are to be issued in the name of a person other than the registered holder(s). Signature(s) on such Certificate(s) or bond power(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner(s) of the Old Notes listed, the Certificates must be endorsed or accompanied by appropriate bond powers, signed exactly as the name or names of the registered owner(s) appear(s) on the Certificates, and also must be accompanied by such opinions of counsel, certifications and other information as the Company or the Trustee for the Old Notes may require in accordance with the restrictions on transfer applicable to the Old Notes. Signatures on such Certificates or bond powers must be guaranteed by an Eligible Institution.

6. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS. If New Notes are to be issued in the name of a person other than the signer of this Letter of Transmittal, or if New Notes are to be sent to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Certificates of Old Notes not exchanged will be returned by mail or, if tendered by book-entry transfer, by crediting the account indicated above maintained at DTC. See Instruction 4.

7. IRREGULARITIES. The Company will determine, in its sole discretion, all questions as to the form of documents, validity, eligibility (including time of receipt) and acceptance for exchange of any tender of Old Notes, which determination shall be final and binding on all parties. The company reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance of which, or exchange for, may, in the view of counsel to the Company, be unlawful. The Company also reserves the absolute right, subject to applicable law, to waive any of the conditions of the Exchange Offer set forth in the Prospectus under "The Exchange Offer--Certain Conditions to the Exchange Offer" or any conditions or irregularity in any tender of Old Notes of any particular holder whether or not similar conditions or irregularities are waived in the case of other holders. The Company's interpretation of the terms and conditions of the Exchange Offer (including this Letter of Transmittal and the instructions hereto) will be final and binding. No

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tender of Old Notes will be deemed to have been validly made until all irregularities with respect to such tender have been cured or waived. Neither the Company, any affiliates or assigns of the Company, the Exchange Agent, nor any other person shall be under any duty to give notification of any irregularities in tenders or incur any liability for failure to give such notification.

8. QUESTIONS, REQUESTS FOR ASSISTANCE AND ADDITIONAL COPIES. Questions and requests for assistance may be directed to the Exchange Agent at its address and telephone number set forth on the front of this Letter of Transmittal. Additional copies of the Prospectus, the Notice of Guaranteed Delivery and the Letter of Transmittal may be obtained from the Exchange Agent or from your broker, dealer, commercial bank, trust company or other nominee.

9. 31% BACKUP WITHHOLDING; SUBSTITUTE FORM W-9. Under U.S. Federal income tax law, a holder whose tendered Old Notes are accepted for exchange is required to provide the Exchange Agent with such holder's correct taxpayer identification number ("TIN") on Substitute Form W-9 below. If the Exchange Agent is not provided with the correct TIN, the Internal Revenue Service (the "IRS") may subject the holder or other payee to a \$50 penalty. In addition, payments to such holders or other payees with respect to Old Notes exchanged pursuant to the Exchange Offer may be subject to 31% backup withholding.

The box in Part 2 of the Substitute Form W-9 may be checked in if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 2 is checked, the holder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 2 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Exchange Agent will withhold 31% of all payments made prior to the time a properly certified TIN is provided to the Exchange Agent. The Exchange Agent will retain such amounts withheld during the 60 day period following the date of the Substitute Form W-9. If the holder furnishes the Exchange Agent with its TIN within 60 days after the date of the Substitute Form W-9, the amounts retained during the 60 day period will be remitted to the holder and no further amounts shall be retained or withheld from payments made to the holder thereafter. If, however, the holder has not provided the Exchange Agent with its TIN within such 60 day period, amounts withheld will be remitted to the IRS as backup withholding. In addition, 31% of all payments made thereafter will be withheld and remitted to the IRS until a correct TIN is provided.

The holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the registered owner of the Old Notes or of the last transferee appearing on the transfers attached to, or endorsed on, the Old Notes. If the Old Notes are registered in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

Certain holders (including, among others, corporations, financial institutions and certain foreign persons) may not be subject to these backup withholding and reporting requirements. Such holders should nevertheless complete the attached Substitute Form W-9 below, and write "exempt" on the face thereof, to avoid possible erroneous backup withholding. A foreign person may qualify as an exempt recipient by submitting a properly completed IRS Form W-8, signed under penalties of perjury, attesting to that holder's exempt status. Please consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which holders are exempt from backup withholding.

Backup withholding is not an additional U.S. Federal income tax. Rather, the U.S. Federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

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10. LOST, DESTROYED OR STOLEN CERTIFICATES. If any Certificate(s) representing Old Notes have been lost, destroyed or stolen, the holder should promptly notify the Exchange Agent. The holder will then be instructed as to the steps that must be taken in order to replace the Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Certificate(s) have been followed.

11. SECURITY TRANSFER TAXES. Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith. If, however, New Notes are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered, or if a transfer tax is imposed for any reason other than the exchange of Old Notes in connection with the Exchange Offer, then the amount of any such transfer tax (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE THEREOF) AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

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TO BE COMPLETED BY ALL  
TENDERING SECURITYHOLDERS  
(SEE INSTRUCTION 9)

PAYER'S NAME: \_\_\_\_\_

SUBSTITUTE  
FORM W-9

PART 1 - PLEASE PROVIDE YOUR TIN ON THE LINE AT  
RIGHT AND CERTIFY BY SIGNING AND DATING BELOW

TIN \_\_\_\_\_  
Social Security Number or  
Employer Identification Number

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE

PAYOR'S REQUEST FOR  
TAXPAYER IDENTIFICATION  
NUMBER (TIN) AND  
CERTIFICATION

NAME (Please Print)

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

PART 2

Awaiting

TIN / /

Part 3 - CERTIFICATION - UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT (1) the number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), (2) I am not subject to backup withholding either because (i) I am exempt from backup withholding, (ii) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (iii) the IRS has notified me that I am not longer subject to backup withholding, and (3) any other information provided on this form is true and correct.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

You must cross out item (iii) in Part (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.

NOTE; FAILURE TO COMPLETE AND RETURN THIS FORM MAY IN CERTAIN CIRCUMSTANCES RESULT IN BACKUP WITHHOLDING OF 31% OF ANY AMOUNTS PAID TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTION FORM W-9 FOR ADDITIONAL DETAILS.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all payments made to me on account of the New Notes shall be retained until I provide a taxpayer identification number to the Exchange Agent and that, if I do not provide my taxpayer identification number within 60 days, such retained amounts shall be remitted to the Internal Revenue Service as backup withholding and 31% of all reportable payments made to me thereafter will be withheld and remitted to the Internal Revenue Service until I provide a taxpayer identification number.

Signature \_\_\_\_\_ Date \_\_\_\_\_, 1997



NOTICE OF GUARANTEED DELIVERY  
FOR TENDER OF  
9 3/4% SENIOR SUBORDINATED NOTES DUE 2007  
OF  
STATION CASINOS, INC.

This Notice of Guaranteed Delivery, or one substantially equivalent to this form, must be used to accept the Exchange Offer (as defined below) if (i) certificates for the Company's (as defined below) 9 3/4% Senior Notes Due 2007 (the "Old Notes") are not immediately available, (ii) the Old Notes, the Letter of Transmittal and all other required documents cannot be delivered to \_\_\_\_\_ (the "Exchange Agent") on or prior to the Expiration Date (as defined in the Prospectus referred to below) or (iii) the procedures for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand, overnight courier or mail, or transmitted by facsimile transmission, to the Exchange Agent. See "The Exchange Offer - Procedures for Tendering the Notes" in the Prospectus.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:

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BY MAIL/OVERNIGHT DELIVERY/HAND:

TO CONFIRM BY TELEPHONE OR FOR INFORMATION:

FACSIMILE TRANSMISSIONS:

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS NOTICE OF GUARANTEED DELIVERY VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

Ladies and Gentlemen:

The undersigned hereby tenders to International Logistics Limited, a Delaware corporation (the "Company"), upon the terms and subject to the conditions set forth in the Prospectus dated November \_\_, 1997 (as the same may be amended or supplemented from time to time, the "Prospectus"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which is hereby acknowledged, the aggregate principal amount of the Notes set forth below pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption, "The Exchange Offer -- Procedures for Tendering Old Notes."

Aggregate Principal  
Amount Tendered:

Name(s) of Registered Holder(s)

Certificate No(s).  
(if available):

Address(es):  
Area Code and Telephone Number(s).

If the Notes will be tendered by book-entry transfer, provide the following information:

Signature(s):

DTC Account Number:

Date:

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED

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GUARANTEE  
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, as an "eligible guarantor institution," including (as such terms are defined therein): (i) a bank;

(ii) a broker, dealer, municipal securities broker, municipal securities dealer, government securities broker, government securities dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association recognized program (each of the foregoing being referred to as an "Eligible Institution"), hereby guarantees to deliver to the Exchange Agent, at one of its addresses set forth above, either the Notes tendered hereby in proper form for transfer, or confirmation of the book entry transfer of such Notes to the Exchange Agent's account at The Depository Trust Company ("DTC"), pursuant to the procedures for book-entry transfer set forth in the Prospectus, in either case together with one or more properly completed and duly executed Letter(s) of Transmittal (or facsimile thereof) and any other required documents within five business days after the date of execution of this Notice of Guaranteed Delivery.

The undersigned acknowledges that it must deliver the Letter(s) of Transmittal and the Notes tendered hereby to the Exchange Agent within the time period set forth above and that failure to do so could result in a financial loss to the undersigned.

Name of Firm

(Authorized Signature)  
(Title)

Address

(INCLUDE ZIP CODE)

Area Code and Telephone Number

Date:

NOTE:DO NOT SEND THE NOTES WITH THIS NOTICE OF GUARANTEED DELIVERY. ACTUAL SURRENDER OF THE NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS.