

# SECURITIES AND EXCHANGE COMMISSION

## FORM 424B3

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### FILER

#### **ARA GROUP INC**

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Business Address  
*THE ARA TOWER*  
*1101 MARKET ST*  
*PHILADELPHIA PA 19107*  
*2152383000*

THE ARA GROUP, INC.

ARA OWNERSHIP PROGRAM

Stock Options

14,644,387 Shares

Common Stock, Class B, \$.01 Par Value

This Prospectus relates to up to 14,644,387 shares of the Common Stock, Class B, \$.01 par value ("Common Stock" or "Class B Common Stock"), of The ARA Group, Inc. ("ARA" or the "Company") being offered upon exercise of Options to purchase shares of Common Stock heretofore or hereafter granted by the Company to eligible employees of the Company and its subsidiaries under the ARA Ownership Program (the "Program"). The Program consists of the 1984 Stock Option Plan (the "1984 Option Plan") the 1987 Stock Option Plan (the "1987 Option Plan") and the 1991 Stock Ownership Plan (the "1991 Ownership Plan").

There is no established public trading market for the Company's Common Stock and each new management investor is required to be bound by the terms of an Amended and Restated Stockholders' Agreement (the "Stockholders' Agreement") which also binds all other management investors. Management investors may transfer their shares only in limited instances, and then only in accordance with the terms of the Stockholders' Agreement.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Neither the delivery of this Prospectus nor any sale made through its use shall, under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof. This Prospectus does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in any jurisdiction in which the Company is not qualified to make such an offer or solicitation or to anyone to whom it is unlawful to make such offer or solicitation.

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The date of this Prospectus is March 1, 1994.

	Page
	----
Available Information.....	2
Prospectus Summary.....	3
Questions and Answers.....	5
The ARA Ownership Program.....	15
The Deferred Payment Program.....	16
Income Tax Considerations.....	17
Description of Equity Securities.....	18
Experts.....	20
Incorporation of Certain Documents by Reference.....	20
Annex A -- Amended and Restated Stockholders' Agreement.....	A-1
Annex B -- Stock Option Exercise Form.....	B-1

#### AVAILABLE INFORMATION

The Company is subject to the information requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission" or the "SEC"). Reports, proxy statements and other information filed by the Company may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W. Washington, D.C., and at the Commission's Regional Offices at 75 Park Place, New York, New York; and 500 West Madison Street, Chicago, Illinois. Copies of such material also may be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. at prescribed rates. In addition, reports, proxy statements and other information concerning the Company may be inspected at the offices of the Philadelphia Stock Exchange, 1900 Market Street, Philadelphia, Pennsylvania.

The Company has filed with the Commission registration statements relating to the shares of Common Stock offered hereby (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information, the reader is referred to the Registration Statement.

The Company will provide without charge to each person holding a stock option granted under the Program, upon the request of such person, a copy of any or all of the documents which are incorporated by reference herein, other than exhibits to such documents. Written or telephone requests should be directed to William B. Bourne, The ARA Group, Inc., The ARA Tower, 1101 Market Street, Philadelphia, Pennsylvania 19107 (telephone: 215-238-3213).

The ARA Group, Inc. is a Delaware corporation with its principal offices located at The ARA Tower, 1101 Market Street, Philadelphia, Pennsylvania 19107 (telephone 215-238-3000). As used herein, references to the "Company" include The ARA Group, Inc. and its subsidiaries unless the context otherwise requires.

3

#### PROSPECTUS SUMMARY

The following is a summary of this Prospectus and is qualified in its entirety by the more detailed information appearing elsewhere in, or incorporated into, this Prospectus.

## The Company

The Company, through ARA Services, Inc. ("ARA Services") and its other subsidiaries, is engaged in providing or managing services, including food, leisure and support services, uniform services, health and education services and distributive services.

As a result of a management buyout transaction that was completed in 1984 by a group of investors led by ARA senior management, ARA Holding Company became the parent of ARA Services. Since then, the number of management investors has increased through stock offerings made from time to time to selected management employees pursuant to the ARA Ownership Program. In 1988, as part of the Company's Shareholder Enhancement Plan, management investors increased their direct ownership interest in the Company, and the Company changed its name to The ARA Group, Inc.

Currently, approximately 900 management investors directly own approximately 55% of the equity of the Company.

In November 1993, the Board of Directors declared and the Company paid a four-for-one split of the Common Stock effected in the form of a stock dividend. As a result of the stock split, each share of Class B Common Stock (a "Class B Share") covered by an outstanding stock option was automatically converted into the right to receive a total of four Class B Shares upon exercise of a stock option. Consequently, while the total purchase price for a stock option (assuming exercise in full) will remain virtually the same, the per share exercise price under an outstanding stock option will now be equal to the pre-split exercise price divided by four.

## The Option Plans

The ARA Ownership Program (the "Program") provides selected management employees of the Company and its subsidiaries with an opportunity to purchase shares of ARA's Common Stock.

Under the Program, selected management employees are granted options to purchase shares of Common Stock. The exercise price of each stock option is the current fair market value at the time the stock option is granted, based upon the most recent available independent appraisal.

Generally, each stock option is granted for ten years, but may not be exercised at the time it is granted. Half of the option becomes exercisable after five years, and the portion exercisable increases each year thereafter until the option is fully exercisable after nine years.

Options that become exercisable may be exercised at any time, until their expiration date, as long as the option holder remains an employee of the Company or its subsidiaries (or any entity designated by the Board of Directors in which ARA owns an equity interest).

The specific terms of your stock option are set by the terms of the Plans and your stock option certificate.

4

## How to Purchase Shares

To exercise all or a portion of your stock option and thereby purchase shares, you must deliver to the Company (at the address set forth on the

exercise form) (1) a completed exercise form (included in this Prospectus as Annex B), and (2) payment of the aggregate purchase price plus the aggregate amount of applicable income taxes required to be withheld or collected (as computed on the exercise form). For the exercise of non-qualified stock options, you may elect to defer payment of up to 1/2 of the total purchase price (including required withholding taxes) under ARA's Deferred Payment Program.

#### Stockholders' Agreement

At the time of the ARA management buyout in 1984, all of the management investors and other investors (except the ARA employee benefit plans, which were prohibited by law from doing so) entered into a Stockholders' Agreement. The Stockholders' Agreement was entered into to assure that the Company would have consistent and uniform management as a private company, and that ownership of the Company would be strictly controlled. At the time of the adoption of the Shareholder Enhancement Plan in 1988, the Stockholders' Agreement was amended and restated. By exercising your stock option, you will be agreeing to be bound by the terms of the Stockholders' Agreement.

Under the terms of the Stockholders' Agreement, your investment in the Common Stock can be sold only in limited instances. In addition, upon your termination of employment, the Company may, but is not generally obligated to, repurchase your shares.

The Stockholders' Agreement also provides that each year you must vote your shares in favor of the election of directors nominated by the Board of Directors.

The terms of the Stockholders' Agreement are summarized in this Prospectus, and a copy of the Stockholders' Agreement is included as Annex A.

#### Other Factors

You have received a copy of ARA's most recent annual report on Form 10-K. The annual report contains financial and other information about ARA's operations. Available information for subsequent periods can be obtained as described under "Available Information" on page 2. You should read carefully the annual report as well as this Prospectus, and consider the following (as well as the other information presented) before electing to invest.

#### Additional Information

If you did not receive a copy of ARA's most recent annual report on Form 10-K, or if you have any questions about the Program or would like to obtain further information, you should call one of the following persons in the ARA Corporate Human Resources Department:

William Bourne at (215) 238-3213  
Mari Fulginiti at (215) 238-3217

#### QUESTIONS AND ANSWERS

To assist you in better understanding the offering, this Prospectus briefly describes certain significant provisions of the Program, the Common Stock and the Stockholders' Agreement in a question and answer format. For more complete answers to the questions, you are referred to the text of the Stockholders' Agreement. References to the appropriate sections of the

Stockholders' Agreement appear below at the end of the answers to specific questions where applicable. Those sections are incorporated by such reference into the answer, and the answer is qualified in its entirety by such reference. The text of the Stockholders' Agreement is set forth as Annex A to this Prospectus.

1. Q: What is The ARA Group, Inc.?

A: The ARA Group, Inc. was formed by a group of investors led by ARA senior management and acquired ARA Services in a management buyout transaction in 1984. As a result of the adoption of the Shareholder Enhancement Plan in 1988, management investors directly own approximately 50% of the equity of the Company.

2. Q: Are the shares of Common Stock being offered the same as the shares owned by current management investors?

A: Yes, with the same rights and obligations to which current management investors are subject under the Stockholders' Agreement.

3. Q: Am I required to purchase shares?

A: No. Any exercise of all or any portion of your stock option by you is strictly voluntary.

4. Q: What is the purchase price per share?

A: The price per share for your stock option is set at the time your stock option is granted. The price appears on your certificate and represents the fair market value based on the most recent available independent appraisal as of the date of grant. This price remains fixed subject to adjustments for stock dividends, stock splits, reorganizations, mergers or the like as described in Question 5 below.

5. Q: Is my stock option adjusted in the event of a Common Stock dividend, split, reorganization, merger or the like?

A: In such cases your stock option will be equitably adjusted, if appropriate, as determined by the Human Resources, Compensation and Public Affairs Committee of the Board of Directors. For example, as a result of such adjustments previously made, a stock option originally granted in February 1985 for 10 shares at an exercise price of \$350.00 per share is now an option for 4,280 shares at an exercise price of \$.81 per share.

6. Q: When can I exercise my stock option and purchase shares?

A: You can exercise your stock option (and thereby purchase shares) only after the conditions set forth in your stock option certificate are satisfied. Generally, stock options have two conditions:

(1) You must have held your stock option for at least the minimum time specified in your certificate.

6

(2) A registration statement must have become effective with respect to the exercise of your option. This second condition has been satisfied for all stock options under the Program.

7. Q: What is the required holding period for stock options?

A: The required holding period is specified in your stock option certificate. Generally, half of your option becomes exercisable after five years, and the portion exercisable increases each year thereafter until the option is fully exercisable after nine years.

8. Q: Do the stock options have an expiration date?

A: Yes. The expiration date is specified in your stock option certificate. Generally, stock options expire ten years after they are granted.

9. Q. What if my employment is terminated?

A: Your stock option is canceled if your employment with the Company and its subsidiaries (or any entity designated by the board of directors in which ARA continues to own an equity interest) is terminated for any reason. Unless you are terminated for cause, however, you may exercise your option at any time during the three months following your termination (but not after the expiration date of your option) to buy those shares which were exercisable at the time of your termination.

If you die or become permanently disabled while employed by the Company and its subsidiaries, (or any entity designated by the board of directors in which ARA continues to own an equity interest) you (or your legal representative) may exercise your options at any time during the 12 months after your disability or death (but in any case not after the expiration date) to buy those shares which were exercisable at the time of your disability or death.

See Questions 44 and 45 for information relating to the Company's ability to call any shares obtained upon exercise of stock options and the price paid for such shares upon exercise of a Call.

10. Q: If I exercise only a portion of my stock option, what happens to the unexercised portion of my stock option?

A: The unexercised portion of your stock option is not affected.

11. Q: How do I purchase shares of Common Stock?

A: To exercise all or a portion of your stock option and thereby purchase shares, you must deliver to the Company, at the address which appears on the exercise form included in this Prospectus as Annex B, (1) your completed exercise form and (2) payment of the aggregate purchase price plus the estimated aggregate amount of applicable income taxes required to be withheld or collected. Instructions for computing your estimated income taxes are included on the exercise form. For the exercise of non-qualified stock options, you may elect to defer payment of up to 1/2 of the total purchase price (including required withholding taxes) under ARA's Deferred Payment Program (see Questions 19 through 30).

7

12. Q: Do I have to pay taxes when I exercise my stock option?

A: The answer depends on whether your option is an incentive stock option or a non-qualified stock option. Certain stock options issued in 1985 are incentive stock options ("ISOs"), and income subject to regular

taxation generally is not recognized upon their exercise. Your stock option certificate will state whether your stock option is intended to be an ISO. However, stock options held by employees of former subsidiaries of ARA (regardless of any statement in the stock option certificate) are non-qualified stock options. All other stock options are non-qualified stock options, and taxes are payable upon their exercise. The tax consequence of exercising an ISO involves the Alternative Minimum Tax ("AMT") and can be very complex. You are urged to discuss any planned exercise of ISOs with your tax adviser. See "Federal Income Tax Considerations".

13. Q: Why do I have to pay taxes when I exercise a non-qualified stock option?

A: When you exercise a non-qualified stock option, the difference (if any) between the exercise price and any higher fair market value of the Common Stock at the time of the exercise is considered under the tax law to be ordinary taxable income. The Company is required to withhold taxes at the time of the exercise. These include federal income taxes, social security taxes (if appropriate), applicable state income taxes, and state unemployment taxes (depending on the state in which you are employed). This is not necessarily the entire amount of tax that you will owe as a result of this exercise. Additional tax, including estimated tax payments, may be required to meet your full tax liability due to this exercise. You should discuss your particular situation with your tax advisor.

14. Q: Will the Company report to the IRS the taxable income (if any) that I realize upon the exercise of my non-qualified stock option?

A: Yes. The taxable income (if any) and the taxes withheld will be reported on your W-2 form for the year in which the purchase occurs. The purchase occurs at the time your completed exercise form and your check are received by the Company.

15. Q: How will I know what the fair market value of the Common Stock is when I exercise a non-qualified stock option?

A: The Company's current practice is to have the Common Stock appraised periodically by an independent appraiser. The appraised fair market value at December 1, 1993 was \$11.20, which includes the effect of the November 1993 stock split.

16. Q: Can I compute the amount of withholding tax I must deposit with the Company prior to exercising a non-qualified stock option?

A: Yes. The exercise form (included in this Prospectus as Annex B) includes a worksheet which allows you to compute the amount of applicable taxes required to be withheld or collected.

17. Q: Can I borrow money to purchase the shares covered by my stock option?

A: Yes. Generally, you must make your own financing arrangements. However, for the exercise of non-qualified stock options, you may elect to defer payment of up to 1/2 of the total purchase price (including required withholding taxes) under ARA's Deferred Payment Program (see Questions 19 through 30).

18. Q. May I pledge my shares of ARA Common Stock?

A. Yes, you may pledge your shares to a commercial bank, savings and loan institution or any other lending or financial institution as security for your indebtedness. However, you may do so only if the lender agrees that, upon realization of its security, the shares shall remain subject to all of the terms of the Stockholders' Agreement and that the lender will dispose of the shares only in compliance with the terms of the Stockholders' Agreement. (Section 3.02(e)) If you are eligible to participate in ARA's Deferred Payment Program, you will be required to pledge shares to ARA (see Questions 19 through 30).

19. Q: What is the Deferred Payment Program?

A: The Deferred Payment Program is a Company program that allows you to purchase shares of Common Stock pursuant to your exercise of a non-qualified stock option and defer paying a portion of the total purchase price.

20. Q: Will the Deferred Payment Program be offered for future non-qualified stock option exercises?

A: The Company anticipates the Deferred Payment Program will continue to be offered. However, the Deferred Payment Program is subject to cancellation or modification at the discretion of the Board of Directors at any time without notice.

21. Q: Do I have to participate in the Deferred Payment Program?

A: No. Any participation by you is strictly voluntary.

22. Q: How much of the purchase price payment may I defer under the Deferred Payment Program?

A: You may defer payment of up to 1/2 of the total purchase price (including required withholding taxes) for the shares you are purchasing. The maximum amount that can be deferred is equal to 1/2 of the Total Amount Due, as computed on line 11 of the Stock Option Exercise Form.

23. Q: How do I elect to participate in the Deferred Payment Program?

A: In order to participate in the Deferred Payment Program when exercising your non-qualified stock option, you should indicate the amount to be deferred on the Stock Option Exercise Form and also complete the Deferred Payment Obligation form, which is on the reverse side.

24. Q: What are the terms of the Deferred Payment Program?

A: The deferred payment is due, plus interest, on the February 15, next following the third anniversary of the date the option is exercised. For example, for an option exercise in March 1994, the deferred payment is due on February 15, 1998. Interest accrues at an annual rate of 6% compounded annually, and is payable at the same time the deferred payment is due. (The interest rate is based on the current prime rate.) All of the shares purchased pursuant to the option exercise are pledged to secure the deferred payment obligation, and the Company holds the share certificates. If you sell or otherwise transfer the pledged shares, the deferred payment becomes due at the time of the sale.

25. Q: Will I be able to sell pledged shares in the internal market or under the Emergency Buyback Program?
- A: Yes. However, your deferred payment obligation will become due at the time of such sale.
26. Q: Will I be able to sell shares to pay my deferred payment obligation at the time it becomes due?
- A: The Company intends to allow you to sell shares at that time. However, all repurchases of shares by the Company must be approved by the Board of Directors and are subject to the ability of the Company to do so under its financing agreements.
27. Q: Can I prepay my deferred payment obligation?
- A: Yes. You may prepay your deferred payment obligation at any time.
28. Q: Will the pledged shares be subject to the Stockholders' Agreement?
- A: Yes.
29. Q: What are the anticipated federal income tax consequences to me for participation in the Deferred Payment Program?
- A: The tax consequences of exercising your stock option will not change. Generally, under current federal law, the interest paid at the time of making the deferred payment would be treated for federal income tax purposes as "investment interest." Accordingly, it may be deductible, but only to the extent of investment income received during the year the interest is paid. The 1993 tax law changes have limited the types of income that can be included in "investment income" and now exclude from that category any income taxed at the favorable capital gains rate. As a result, you may not be able, or wish, to deduct deferred payment interest when you pay it. However, investment interest expense, including deferred payment interest, that is not deducted for federal income tax purposes may be carried forward indefinitely until it is used. You are urged to discuss this matter with your tax advisor.
30. Q: Will my obligation to pay the deferred payment be treated as debt for my personal credit purposes?
- A: Any decision regarding your personal credit, whether for a home mortgage or otherwise, would be made by a lender. The Company understands that generally the deferred payment obligation would be treated as debt for personal credit purposes by lenders.
31. Q: Will I receive a stock certificate for the shares of Common Stock that I purchase?
- A: Yes, unless you are eligible and have elected to participate in ARA's Deferred Payment Program (see Questions 19 through 30).
32. Q: Can I have the shares registered jointly in my name and my spouse's name?

A: Yes, you can register shares in the names of you and your spouse, as joint tenants, provided both you and your spouse sign the exercise form. (Introduction to the Stockholders' Agreement)

10

33. Q: Will I receive dividends on the Common Stock?

A: If the Board of Directors declares a dividend, holders of Common Stock on the dividend record date will be entitled to receive that dividend.

34. Q: Will I be entitled to vote on any matters submitted to a vote of The ARA Group, Inc. stockholders?

A: Yes, however you will be bound by the terms of the Stockholders' Agreement. You will generally be free to vote your shares in any manner you choose on any matters properly presented to the stockholders. However, you will be required to vote your shares in favor of the election of directors nominated by the Board of Directors. This has the effect of granting to the existing directors the right to select their successors. (Section 2.01)

35. Q: May I transfer my shares of Common Stock?

A: Generally, you may not sell or otherwise transfer your shares of Common Stock (other than in certain limited instances). (Section 3.02(a))

36. Q: May I transfer my shares of Common Stock for estate or tax planning purposes?

A: Yes. You may transfer your shares for estate or tax planning purposes as gifts to your spouse, child, grandchild or parent or a trust for the benefit of any of them or to a qualifying charitable organization. You may also make other transfers to your family members, their trusts or other entities if the transfer is approved by the Company's Board of Directors. (Section 3.02)(d))

37. Q: Are these permitted transfers subject to any conditions?

A: Yes. The transferee must sign a document confirming that he or she is acquiring the shares subject to all the terms and conditions of the Stockholders' Agreement, and such document must be delivered to and approved by the Company at least five business days before the transfer. (Section 3.01)

38. Q: Will I be able to sell shares back to the Company?

A: Yes. Primarily you will be able to sell your Class B and Series C Shares to the Company in the internal market. Secondly, the Company provides an Emergency Buyback Program to accommodate certain limited instances when unanticipated emergencies arise. The Company anticipates that the combination of the internal market and the emergency buyback program should provide adequate liquidity to all management investors on an orderly and equitable basis. The Company also provides an offer to sell procedure for the Class B Shares that could be utilized. These three methods for realizing liquidity are described more fully below (see Questions 39, 40 and 41). Of course, the ability of the Company to repurchase shares is subject to the Company's continued strong operating and financial performance. (Section 7).

39. Q: What is the internal market?

A: The internal market is a process whereby the Company, on a periodic basis, offers to purchase some of your Class B and Series C Shares. At the time of the offer, each management owner will then be able to decide whether to accept or reject the offer. The internal market provides a way for management owners to sell some of their stock holdings.

11

In this regard, a management owner can pursue a sale of stock in the internal market in excess of the guideline stated below by contacting one of the persons listed on page 4 of this Prospectus.

The initial Internal Market Policy approved for 1994 consists of two semi-annual repurchase periods, and subject to further review and approval by the Board of Directors prior to each subsequent annual offering, is as follows:

<TABLE>

<CAPTION>

	Class B Shares -----	Series C Shares -----
<S>	<C>	<C>
Offering Periods:	December 15 to January 15, 1994 and July 15 to August 16, 1994	Same as for Class B Shares, except that initial offering period does not begin until January 1, 1994
Offerees:	All management owners	All management owners
Purchase Price:	The most recent available appraised value, as of December 1, 1993, and as of June 1, 1994 respectively	\$1,000 per share plus accrued and unpaid dividends
Payment Terms:	Cash	Cash
Individual Guideline for each Offering Period:	Generally, up to \$50,000 or if greater, 10% of shares owned (up to a maximum of \$150,000); requests for larger sales can be made by contacting one of the persons listed on page 4 of this Prospectus	Unlimited
Required Holding Period:	Shares owned for less than six months are not eligible for resale in the internal market	None

</TABLE>

40. Q: What is the Emergency Buyback Program?

A: From time to time there may be compelling circumstances when an unanticipated emergency arises which may cause a management owner to request the Company to repurchase Class B or Series C Shares. Each request will be reviewed individually, taking into account all relevant circumstances.

41. Q: Will I be able to sell my Class B shares in any other way?

A: The anticipated normal procedure for selling Class B Shares is through

the internal market. However, you could also offer a portion of your Class B Shares to the Company at the current appraised Fair Market Value of the Common Stock. Annually you could offer to sell up to the lesser of 10% of your Class B Shares or \$100,000 in share value. These rights are cumulative beginning in 1990. In other words, if you did not choose to sell in one year, the following year you could offer to sell up to the lesser of 20% of your Class B Shares or \$200,000 in share value, etc. In the event your Class B Shares were not purchased

12

by ARA you could offer to sell your Class B Shares within the next 90 days to a third party who agreed to abide by all the terms of the Stockholders' Agreement, on the same terms offered to ARA. (Section 4)

Upon termination for any reason, subject to the Company's right to Call your Class B Shares (see Question 44), you could offer to sell your Class B Shares as described above. Additionally, if the reason for termination were death, Complete Disability or Normal Retirement, then the annual 10%/\$100,000 limitation would no longer be applicable. (Sections 1.04, 1.06 and 3.02(a))

42. Q: Will I be able to require the Company to repurchase shares?

A: Generally no. However, upon your death, Complete Disability or Normal Retirement, you or your estate as appropriate, subject to the Company's financing agreements, can require the Company to purchase up to 30% of your shares. This right to require the Company to purchase shares is described as a "Put". The Company will be required to purchase these shares for cash at the current appraised Fair Market Value of the Common Stock. The Company intends to purchase ("Call") your remaining shares (see Question 43). However, in the event the Company does not Call your shares, then you could offer to sell the remaining shares (see Question 41). (Section 5)

43. Q: Will the Company inform me prior to the time that I purchase from the Company (through the exercise of an option or otherwise) or sell to the Company (in the internal market or otherwise) any of my shares of stock of any pending or potential transaction that could increase or decrease the value of the stock?

A: No. The Company has no obligation to disclose any pending or potential transaction in connection with your decision to purchase from or sell to the Company any shares of Company stock owned by you. The Company does not disclose publicly its projections or the status of any transaction that may be under consideration. This information is generally confidential, and the Company could be adversely affected if such information should become publicly known. (Section 8)

44. Q: If my employment with the Company and its subsidiaries is terminated for any reason, does the Company have the right to require me to sell my shares to the Company?

A: Yes. This right of the Company to require you to sell your Class B Shares is described as a "Call". At any time during the 10 years following the termination of your employment, the Company has the right to Call any or all of your Class B Shares and any or all of the Class B shares of all of your permitted transferees. The Company's intention is to promptly exercise this right if you are terminated for any reason for all Class B Shares except those acquired by exercising stock options shortly before or after termination. The Company intends to

call those Class B Shares approximately six months after they were acquired. (Section 6)

45. Q: How will I be paid for my Class B Shares when they are Called?

A: The Company will purchase your Class B Shares at the lesser of the appraised Fair Market Value of the Common Stock at the time of the exercise of the Call or the appraised Fair Market Value at the time of termination plus 8% simple interest to the date of the exercise of the Call. Under the terms of the Stockholders' Agreement, payment will be in cash up to the least of 10% of shares called, \$100,000 or your highest base salary, with the remainder paid in installment notes. (Section 6.02)

13

46. Q: What are the terms of the installment notes?

A: The Stockholders' Agreement provides for the following terms for the installment notes. Annual cash payments will equal the least of 10% of the principal, \$100,000 or your highest base salary. At the end of the 10th year following termination, any remaining balance on the notes will be paid in cash. Interest will be paid semi-annually and the rate will be fixed at the Applicable Federal Rate which currently varies from approximately 4.3% to 7.2% depending upon the term of the note (Section 1.08).

47. Q: If the Company purchases my Class B Shares using, in part, an installment note, will I have to pay tax on the entire gain in the first year?

A: Generally, no. The purchase using a note usually will qualify for installment treatment under the federal income tax laws. You should be able to recognize taxable gain in proportion to the cash payments of principal you will receive over the years. You should consult with your tax advisor to determine if installment sale treatment is advantageous to you and how you should report it on your tax returns.

48. Q: What is the Stock Repurchase Policy?

A: The Company's Stock Repurchase Policy provides for payment terms that are generally more favorable to you than the payment terms provided for in the Stockholders' Agreement. This Policy, which is described below (see Questions 49 through 51), may be amended, discontinued or varied for all repurchase transactions generally or for any specific repurchase transaction at any time by the Company without notice. The Policy does not affect the total repurchase price which you will be paid for your shares.

49. Q: If I terminate before age 55 and my Class B Shares are Called, what does the Stock Repurchase Policy currently provide?

A: The initial cash payment will be a minimum of \$50,000 and each annual principal installment on the promissory note will be a minimum of \$25,000.

50. Q: If I terminate at or after age 55 but before Normal Retirement and my Class B Shares are Called, what does the Stock Repurchase Policy currently provide?

A: The total repurchase price will be paid in an initial cash payment and subsequent annual principal installments on the promissory note in equal amounts, so that the entire repurchase price will have been paid before you reach age 66. Each such payment is subject to a minimum of \$50,000 and a maximum of \$300,000, with any remaining balance paid in the final installment.

51. Q: If I terminate through Normal Retirement and my Class B Shares are Called (or if I exercise my Put and the remainder of my Class B Shares are Called), what does the Stock Repurchase Policy currently provide?

A: Generally, Normal Retirement means you are at least age 60 and you retire from active employment. The initial cash payment will be 30% of the total repurchase price. The remainder of the total repurchase price will be paid in equal annual principal installments on the promissory note so that the entire repurchase price will have been paid before you reach 66 (or if you are 63 or over, in 3 equal annual principal installments). Each such payment is subject to a minimum of \$50,000 and a maximum of \$300,000, with any remaining balance paid in the final installment.

14

52. Q: If I die or become Completely Disabled and my Class B Shares are Called (or if my estate exercises its Put and the remainder of my shares are Called), what does the Stock Repurchase Policy currently provide?

A: The initial cash payment will be 30% of the total repurchase price. The remainder of the total repurchase price will be paid in three equal annual principal installments on the promissory note. Each such payment is subject to a minimum of \$50,000 and a maximum of \$300,000, with any remaining balance paid in the final installment.

53. Q: Does the Stock Repurchase Policy provide for an alternative interest rate on the promissory note?

A: Yes. In lieu of a fixed interest rate (equal to the Applicable Federal Rate at the time of the repurchase) for the entire life of the promissory note, you may make a one-time irrevocable election at the time of repurchase for the rate to reset annually on the date of each principal payment to the Applicable Federal Rate then in effect.

54. Q: Do the Call rights apply to a termination of my employment with ARA and its subsidiaries which is beyond my control?

A: Yes. The Call rights apply to all terminations of employment with ARA and its subsidiaries without regard to cause, including death, permanent and complete disability, voluntary or involuntary termination of employment and retirement. For example, if ARA were to sell the division or subsidiary in which you work, then the Call rights would apply even though you were continuing to work in the same organization. (Section 6)

55. Q: What if ARA cannot repurchase my Class B Shares pursuant to the exercise of a Put or a Call because it would cause a default under one of ARA's loan agreements or would violate applicable law?

A: Your Class B Shares would be repurchased on the earliest practicable date when such repurchase could be effected in compliance with such loan agreement and applicable law. The price to be paid could be

affected because of such delay. (Section 12)

56. Q: If I voluntarily terminate my employment, the Company has the right to Call my Class B Shares. Will the Company inform me prior to the time I terminate my employment of any pending or potential transaction that could increase the value of the Common Stock?

A: No. The Company has no obligation to disclose any pending or potential transaction in connection with your decision to terminate your employment (or in connection with your decision to exercise a Put or in any other circumstance). The Company does not disclose publicly its projections or the status of any transaction that may be under consideration. This information is generally confidential, and the Company could be adversely affected if such information should become publicly known. (Section 8)

57. Q: When will I be able to transfer my Class B Shares freely without having to comply with the restrictions on transfer contained in the Stockholders' Agreement?

A: Generally, the Stockholders' Agreement will continue in force unless the stockholders who are parties to the Agreement and the Company vote to terminate or change it. (Section 15)

15

#### THE ARA OWNERSHIP PROGRAM

The ARA Ownership Program (the "Program") is designed to provide an opportunity for selected management employees of the Company and its subsidiaries to acquire an ownership interest in the Company and thereby give them a more direct and continuing interest in the future success of the Company's business.

Under the Program, the direct ownership in the Company has increased from 62 original management investors in 1984 to approximately 900 management investors today owning approximately 55% of the equity. In addition, at February 1, 1994, management employees held installment stock purchase opportunities for 8,281,160 shares and stock options for an additional 1,567,856 shares.

The Company's senior management believes that management ownership has significantly contributed to the Company's success, and intends to continue to use the Program to expand both the number of management investors and their percentage ownership.

The Program uses the 1984 Stock Option Plan, the 1987 Stock Option Plan and the 1991 Stock Ownership Plan. These Plans allow the Company to offer, and under the Program the Company has offered, stock purchase opportunities to selected employees in three different ways: the direct sale of shares, the grant of installment stock purchase opportunities, and the grant of stock options. In choosing the form of stock ownership opportunity to be offered, the Company considers, among other factors, the number of offerees and their ability generally to finance an investment.

This Prospectus relates to the grant and exercise of stock options.

The 1984 Option Plan was adopted by the Board of Directors and approved by the stockholders in December 1984 in connection with the management buyout. Amendments to the Plan were approved by the stockholders in February 1987.

The Plan provides for the issuance of up to 14,643,192 shares of Common Stock through the granting of incentive stock options and/or nonqualified options. Under the terms of the Plan, a specified number of the options are reserved for issue in connection with promotions or to new hires. On February 1, 1994, 1,883,448 options were outstanding under the Plan and 1,501,506 shares were available for the grant of future options under the Plan.

The 1987 Option Plan was adopted by the Board of Directors in May 1987 and was approved by stockholders in February 1988. The Plan provides for the issuance of up to 8,357,956 shares of Common Stock through the granting of incentive stock options and/or nonqualified options. On February 1, 1994, 1,750,228 options were outstanding under the Plan and 2,396,188 shares were available for the grant of future options.

The 1991 Ownership Plan was adopted by the Board of Directors in November 1991. The Plan provides for the issuance of up to 8,513,372 shares of Common Stock through the granting of nonqualified options. On February 1, 1994, 6,215,340 options were outstanding under the Plan and 897,677 shares were available for the grant of future options.

In accordance with the terms of the Plans, the purchase price for shares subject to stock options granted under the Plans will not be less than the fair market value of the shares (based upon the most recent available independent appraisal) on the date of the grant. Shares issued pursuant to the Plans are subject to the Stockholders' Agreement. The Plans provide that the terms of options and purchase opportunities outstanding under the Plans and the number of shares authorized under the Plans will be appropriately adjusted upon the declaration of stock dividends and upon the occurrence of certain other events.

16

The Plans grant certain authority to the Human Resources, Compensation and Public Affairs Committee (the "Committee") which consists of six members of the Board.

The Committee is authorized to grant stock options and to determine the number of shares to be offered thereby to each selected key employee. The term "key employee" is not defined in the Plans, and subject to the express provisions of the Plans, the Committee has complete authority to determine the employees who receive stock options thereunder. As a result, the number of employees eligible to participate in the Plans is not determinable.

Stock options are not transferrable. No stock option can be subject to attachment, execution or levy of any kind. Each stock option shall be exercisable only by the employee to whom it is granted and only while an employee of ARA or a subsidiary (or any entity in which ARA continues to own an equity interest and which the board of directors designates).

ARA will use the net proceeds from the sale of shares pursuant to exercises of stock options for general corporate purposes.

The Plans are not subject to any provisions of the Employee Retirement Income Security Act of 1974 and are not "qualified" within the meaning of Section 401(a) of the Internal Revenue Code.

The Board of ARA or the Committee may establish such procedures as it deems appropriate for the administration of the Plans. It may also include at the time a stock option is granted such additional terms and conditions as it deems desirable to the extent such are not inconsistent with the Plans. The

opinion of the Committee, or the Board for certain matters described in the Plans, shall be final and binding upon all persons in interest, including employees, ARA and its stockholders.

The Board may amend the Plans from time to time as it deems desirable, except that certain amendments to the 1984 Option Plan or the 1987 Option Plan require stockholder approval.

Neither the Plans nor any stock option granted under the Plans gives any employee the right to continue in the employ of ARA or its subsidiaries or limits in any respect the right of ARA or any subsidiary to terminate such employee.

The appraised fair market value of the Common Stock as of December 1, 1993 was \$11.20. The appraisal of the fair market value of the shares of Common Stock was provided by Willamette Management Associates, Inc. ("Willamette"), a professional independent appraiser. Such appraisal was based on the financial condition and results of operations of ARA, a comparison of ARA with other companies with similar characteristics, and other factors prevailing at the time such determination was made.

In connection with the services rendered by Willamette with respect to the preparation of the appraisal referred to above and other appraisals of Company securities within the 12 months prior to the date of this Prospectus, Willamette has received fees from the Company of approximately \$100,000 plus reimbursement of certain expenses. In addition, the Company has agreed to indemnify Willamette against certain liabilities which it might incur in connection with the preparation of the appraisal referred to above or otherwise as a result of the services rendered by such firm.

#### THE DEFERRED PAYMENT PROGRAM

The Deferred Payment Program was adopted in 1992 and is designed to enable employees to take better advantage of stock options granted to them, by giving them the alternative to defer payment of a portion of the purchase price.

17

The Company anticipates that the Deferred Payment Program will continue to be offered. However, the Program is subject to cancellation or modification at the discretion of the Board of Directors at any time without notice.

The Deferred Payment Program currently in effect will permit the holder of a non-qualified stock option to defer payment of up to one-half of the total purchase price (including required withholding taxes) for the shares being purchased. Accordingly, payment may be deferred for up to 47 months in some cases. (In order to comply more clearly with certain laws which may be applicable, ARA has the right to require the payment on demand. However, ARA has no intention of exercising such right.) Interest will accrue on any deferred payment at a fixed annual rate (currently 6% compounded annually), and will be payable at the time the deferred payment is due. ARA may from time to time select a different interest rate for use in future deferred payment obligations. However, the interest rate at the time a deferred payment obligation is entered into is fixed for the entire term of the obligation. The Company will hold as collateral all shares purchased in which any portion of the purchase price is financed under the Deferred Payment Program until the deferred payment is received by the Company. Deferred payment obligations may be prepaid at any time at the election of the employee and will become due immediately in the event any shares securing the deferred payment obligation are sold or otherwise transferred by the stockholder

(whether pursuant to a call of such shares by ARA upon termination of employment or otherwise). Holders of stock options are not required to use the Deferred Payment Program. If you have any questions about the Deferred Payment Program, you should call Liza Cartmell at the ARA Corporate Treasury Department (telephone: 215-238-3187).

## INCOME TAX CONSIDERATIONS

THE FOLLOWING DISCUSSION IS NOT INTENDED TO BE A COMPLETE STATEMENT OF THE FEDERAL INCOME TAX CONSEQUENCES OF THE GRANTING AND EXERCISE OF STOCK OPTIONS PURSUANT TO THE PLANS OR THE DISPOSITION OF SHARES ACQUIRED UPON EXERCISE OF SUCH STOCK OPTIONS. BECAUSE OF THE COMPLEXITIES OF THE FEDERAL INCOME TAX LAW, OPTION HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS.

Stock options granted pursuant to the Plans are intended to be either incentive stock options or non-qualified stock options for federal income tax purposes. Incentive stock options are identified as such on your stock option certificate. However, stock options held by employees of former subsidiaries of ARA (regardless of any statement in the stock option certificate) are non-qualified stock options. All other stock options are non-qualified stock options.

### Incentive Stock Options

With respect to incentive stock options, ARA understands that under current federal income tax laws, if shares purchased pursuant to the exercise of an incentive stock option are not disposed of by the employee within one year after the exercise of the option, then (i) no income subject to regular taxation will be recognized to the employee either at the time of grant or at the time of exercise of the option; (ii) any gain or loss (calculated with reference to the option exercise price) will be recognized to the employee only upon the ultimate disposition of the shares and, assuming the shares constitute capital assets in the employee's hands, will be treated as long-term capital gain or loss; and (iii) the difference between the option exercise price and the fair market value of the shares at the time of exercise will be treated as an "item of tax preference", subject to AMT.

ARA further understands that if the employee disposes of the shares acquired by exercise of an incentive stock option before the expiration of the required holding period, the employee must treat as ordinary income in the year of such disposition an amount equal to the difference between the option exercise price and the lesser of the fair market value at the time of exercise or the selling price. The balance of the employee's gain on such disposition, if any, may be taxed as capital gain. None of the gain on such a disposition would be an item of tax preference subject to AMT.

18

### Non-Qualified Stock Options

With respect to the non-qualified stock options, ARA understands that, under current federal income tax laws, (i) no income will be recognized to the employee at the time of grant; (ii) upon exercise of a stock option, the employee must treat as ordinary income the difference, if any, between the exercise price and any higher fair market value of the Common Stock on the date of exercise, and (iii) assuming the shares received upon exercise of such stock options constitute capital assets in the employee's hands, any gain or loss upon disposition of shares (measured by reference to the fair market value of the shares on the date of exercise) may be treated as capital gain or loss. None of the income from exercise of non-qualified options or gain from

the sale of stock acquired through exercise of such options would be an item of tax preference subject to AMT.

ARA further understands that income recognized upon the exercise of a non-qualified stock option is subject to tax withholding and that it is obligated to withhold or collect an amount equal to a portion of the tax applicable to such income. Consequently, ARA requires the exercising employee to deposit with ARA the amount of the taxes required to be withheld or collected. The Company is required to report to the IRS the amount of ordinary income generated by the exercise of a purchase opportunity by including that amount as compensation in the employee's form W-2, and the employee is required to report that amount in his/her tax return.

If payment of a portion of the exercise price is deferred under the Deferred Payment Program, the interest paid at the time of making the deferred payment would be treated as "investment interest". Accordingly, it may be deductible, but only to the extent of investment income received during the year the interest is paid. The 1993 tax law changes have limited the types of income that can be included in "investment income" and now exclude from that category any income taxed at the favorable capital gains rate. As a result, you may not be able, or wish, to deduct deferred payment interest when you pay it. However, investment interest that is not deducted can be carried forward and be deductible in future years to the extent of the holder's investment income in such years. You are urged to discuss this matter with your tax advisor. Similarly, to the extent that stock options are exercised using other borrowed funds, the interest incurred on such borrowing may also be treated as "investment interest". You are urged to discuss this matter as well with your tax advisor.

#### DESCRIPTION OF EQUITY SECURITIES

##### General

The authorized capital of the Company consists of 185,000,000 shares, which includes 150,000,000 shares of Common Stock, Class B, par value \$.01 per share ("Common Stock" or "Class B Common Stock") 25,000,000 shares of Common Stock, Class A, par value \$.01 per share ("Class A Common Stock"); and 10,000,000 shares of Series Preferred Stock, par value \$1.00 per share ("Series Preferred Stock"). As of February 1, 1994, 26,139,143 shares of Class B Common Stock were issued and outstanding (not including 9,967,555 shares subject to options, installment stock purchase opportunities and deferred stock units granted and outstanding under the Company's Plans), 2,100,761 shares of Class A Common Stock were issued and outstanding, and 19,873 shares of Series Preferred Stock were outstanding.

Management investors (approximately 900 persons at the date of this Prospectus) hold all of the shares of outstanding Class B Common Stock of the Company. There is no established public trading market for the Class A or Class B Common Stock or the Series C Preferred Stock of the Company.

The following is a summary of certain provisions of the Restated Certificate of Incorporation of the Company (the "Certificate of Incorporation") and the By-Laws of the Company, as amended. The summary is qualified in its entirety by reference to such documents filed as exhibits to the Registration Statement of which this Prospectus is a part.

Voting. Each share of Class A Common Stock and each share of Class B Common Stock entitles the holder thereof to one vote on all matters submitted to the stockholders.

All actions submitted to a vote of stockholders are voted upon by holders of Class A Common Stock and Class B Common Stock voting together except that the holders of Class A Common Stock and Class B Common Stock vote separately as classes with respect to amendments to the Company's Certificate of Incorporation that may alter or change the powers, preferences or special rights, of their respective classes of stock so as to affect them adversely, and such other matters as may require class votes under the Delaware General Corporation Law.

There is no provision in the Certificate of Incorporation permitting cumulative voting.

Dividends and Other Distributions (including Distributions upon Liquidation of the Company). Dividends on the Class A Common Stock and the Class B Common Stock are paid when, as and if declared by the Board of Directors and permitted under the Company's loan agreements. In respect of rights to dividends and other distributions in cash, stock or property of the Company (including distributions upon liquidation of the Company, after provision for creditors of the Company and any shares of the Company's capital stock having a preference on liquidation, dissolution or winding up of the Company) each share of Class A Common Stock is entitled to ten times the dividends and other distributions payable on each share of Class B Common Stock when, as and if such dividends or distributions may be declared and/or paid provided, however, that in the case of dividends or other distributions payable on the Class A Common Stock and the Class B Common Stock in capital stock of the Company other than Preferred Stock, including distributions pursuant to split-ups or divisions of the Class A Common Stock or the Class B Common Stock, only Class A Common Stock is distributed with respect to Class A Common Stock and only Class B Common Stock is distributed with respect to Class B Common Stock. In no event may either Class A Common Stock or Class B Common Stock be split, divided or combined unless the other is split, divided or combined equally.

Convertibility. The Class A Common Stock is not convertible. Subject to the prior approval of the Board of Directors, the Class B Common Stock is convertible at all times, in whole or in part, and without cost to the stockholder, into Class A Common Stock on the basis of ten shares of Class B Common Stock for each share of Class A Common Stock. Only full-time employees and directors of the Company (and their Permitted Transferees while the transferor is a full-time employee or director) may hold Class B Common Stock. Upon any holder of Class B Common Stock ceasing to be a full-time employee or director of the Company, such holder's Class B Common Stock automatically converts into Class A Common Stock, on the basis of ten shares of Class B Common Stock for each share of Class A Common Stock. The Board of Directors, by a majority of the Board plus one additional director, may at any time order the conversion of all the Class B Common Stock into Class A Common Stock on a ten-for-one basis. No fractions of shares of Class A Common Stock would be issued on such conversion, but rather such amounts would be paid in cash based on the market value (or, if the Company is not publicly traded, the last appraised value) of the Class B Common Stock.

Other. The Class A Common Stock and Class B Common Stock do not carry any preemptive rights enabling a holder to subscribe for or receive shares of stock of the Company of any class or any other securities convertible into shares of stock of the Company.

## EXPERTS

The audited consolidated financial statements and related notes and schedules included in the Company's Annual Report on Form 10-K for the year ended October 1, 1993 incorporated by reference herein have been audited by Arthur Andersen & Co., independent public accountants, as set forth in their report also incorporated herein by reference. In their report, that firm states that with respect to amounts included for Versa Services Ltd., the Company's Canadian subsidiary, its opinion is based on the report of other auditors, namely Ernst & Young, Chartered Accountants, whose report is also incorporated herein by reference. The financial statements referred to above have been incorporated by reference herein in reliance upon the reports of said firms and upon the authority of said firms as experts in accounting and auditing. Subsequent audited financial statements of the Company and the reports thereon of the Company's independent public accountants, to the extent incorporated herein by reference, have been so incorporated in reliance upon the reports of those accountants and upon the authority of those accountants as experts in accounting and auditing to the extent such accountants have audited those financial statements and consented to the use in this Prospectus of their reports thereon.

The appraisal of Willamette Management Associates, Inc., independent securities appraisers, and references thereto included in this Prospectus have been included herein in reliance upon the authority of said firm as an expert in securities valuations.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, if filed by the Company with the Commission prior to the termination of the offering of the shares, are incorporated herein by reference:

1. The Company's latest annual report on Form 10-K filed pursuant to Section 13(a) or 15(d) of the Exchange Act.
2. All other reports filed by the Company pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year of the annual report referred to in Item 1 above.
3. All documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein or in a supplement hereto modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

## NON-QUALIFIED STOCK OPTION

Please Review Instructions Before You Fill Out This Form  
THE ARA GROUP, INC.  
Non-Qualified Stock Option Exercise Form

I hereby exercise a Stock Option granted to me on \_\_\_\_\_,  
19\_\_\_\_.

I hereby represent, warrant and agree as follows:

1. I have received and read copies of (a) the Prospectus dated March 1, 1994 including the Amended and Restated Stockholders' Agreement by and among The ARA Group, Inc. ("ARA") certain of its stockholders, and (b) ARA's annual report on Form 10-K.
2. I have full power and authority to enter into the Amended and Restated Stockholders' Agreement.
3. By signing below, I hereby execute and deliver and agree to be bound by the Amended and Restated Stockholders' Agreement as a Management Investor.
4. I will, upon request, execute any additional documents necessary or desirable for me to become a party to the Amended and Restated Stockholders' Agreement.

Name (s): \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Home Telephone: \_\_\_\_ - \_\_\_\_ - \_\_\_\_\_ Business Telephone: \_\_\_\_ - \_\_\_\_ - \_\_\_\_\_  
ARA Company: \_\_\_\_\_ Component Number: \_\_\_\_\_  
Social Security No: \_\_\_\_\_

1. Purchase Price Per Share.....	\$ _____	
2. Number of Shares Being Purchased.....	X _____	
3. Total Purchase Price (Line 1 x Line 2).....		\$ _____
4. Current Price Per Share.....	\$ _____	
5. Purchase Price Per Share.....	- _____	
6. Appreciation Per Share (Line 4 - Line 5).....	\$ _____	
7. Number of Shares Being Purchased.....	X _____	
8. Total Appreciation Subject to Taxes (Line 6 x Line 7)....	\$ _____	
9. Withholding Tax Rate (38%).....	X .38	
10. Total Withholding Tax Due (Line 8 x Line 9).....		\$ _____
11. Total Amount Due (Line 3 + Line 10).....		\$ _____
12. Maximum Amount Eligible to be Deferred (50% of Line 11)...	\$ _____	
13. Amount of Payment to be Deferred (May not exceed Line 12).		\$ _____
14. Amount of Check Enclosed (Line 11 - Line 13).....		\$ _____

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

IF THE AMOUNT ON LINE 13 IS NOT ZERO, YOU MUST ALSO  
COMPLETE AND SIGN THE REVERSE SIDE OF THIS EXERCISE FORM.\*

Please complete and return with your check for the amount listed in Line 14 to:

The ARA Group, Inc.  
1101 Market Street  
Philadelphia, Pennsylvania 19107  
Attention: Annette Nedd

For Transfer agent use only:

Check Number \_\_\_\_\_ Check Amount \$ \_\_\_\_\_  
HID# \_\_\_\_\_ Deferred Amount \$ \_\_\_\_\_

\*PLEASE TURN OVER.

22

Deferred Payment Obligation

For value received, I/we promise to pay to the order of The ARA Group, Inc. (referred to as the "Company") \$ \_\_\_\_\_, and to pay interest at the rate of 6.0% per year compounded annually. Payment of both the deferred obligation and interest shall be due on February 15, 1997 or on such earlier date as the Company may make demand. The obligation and appropriate interest may be prepaid at any time.

I/We grant to the Company a security interest in \_\_\_\_\_ shares of The ARA Group, Inc. common stock, Class B (the "Pledged Shares") and agree that the Pledged Shares shall be held as collateral by the Company until the amount is paid in full. In the event the amount is not paid when due, the Company shall be entitled to exercise the legal remedies available under applicable law. If any of the Pledged Shares shall be sold or otherwise transferred, then the amount shall become due immediately.

This Agreement may be assigned by the Company at any time and shall be governed by the laws of the Commonwealth of Pennsylvania.

Print Name(s): \_\_\_\_\_

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Signature Date

INSTRUCTIONS

1. Insert the Amount of Payment to be Deferred (Line 13 on the Exercise Form) in the first paragraph.
2. Insert the Number of Shares Being Purchased (Line 2 on the Exercise Form) in the second paragraph.
3. Print and sign your name exactly as on the Exercise Form (on the reverse side). If your spouse signed the Exercise Form, he/she must also sign the Deferred Payment Obligation form. By signing the form, your spouse joins in the agreement you are making to pay the amount of the deferred payment obligation.

Please Review Instructions Before You Fill Out This Form  
THE ARA GROUP, INC.  
Non-Qualified Stock Option Exercise Form

I hereby exercise a Stock Option granted to me on \_\_\_\_\_,  
19\_\_\_\_.

I hereby represent, warrant and agree as follows:

1. I have received and read copies of (a) the Prospectus dated March 1, 1994 including the Amended and Restated Stockholders' Agreement by and among The ARA Group, Inc. ("ARA") certain of its stockholders, and (b) ARA's annual report on Form 10-K.
2. I have full power and authority to enter into the Amended and Restated Stockholders' Agreement.
3. By signing below, I hereby execute and deliver and agree to be bound by the Amended and Restated Stockholders' Agreement as a Management Investor.
4. I will, upon request, execute any additional documents necessary or desirable for me to become a party to the Amended and Restated Stockholders' Agreement.

Name (s) : \_\_\_\_\_  
 Home Address: \_\_\_\_\_  
 Home Telephone: \_\_\_\_ - \_\_\_\_ - \_\_\_\_\_ Business Telephone: \_\_\_\_ - \_\_\_\_ - \_\_\_\_\_  
 ARA Company: \_\_\_\_\_ Component Number: \_\_\_\_\_  
 Social Security No: \_\_\_\_\_

1. Purchase Price Per Share.....	\$ _____	
2. Number of Shares Being Purchased.....	X _____	
3. Total Purchase Price (Line 1 x Line 2).....		\$ _____
4. Current Price Per Share.....	\$ _____	
5. Purchase Price Per Share.....	- _____	
6. Appreciation Per Share (Line 4 - Line 5).....	\$ _____	
7. Number of Shares Being Purchased.....	X _____	
8. Total Appreciation Subject to Taxes (Line 6 x Line 7).....	\$ _____	
9. Withholding Tax Rate (38%).....	X .38	
10. Total Withholding Tax Due (Line 8 x Line 9).....		\$ _____
11. Total Amount Due (Line 3 + Line 10).....		\$ _____
12. Maximum Amount Eligible to be Deferred (50% of Line 11)...	\$ _____	
13. Amount of Payment to be Deferred (May not exceed Line 12).		\$ _____
14. Amount of Check Enclosed (Line 11 - Line 13).....		\$ _____

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

IF THE AMOUNT ON LINE 13 IS NOT ZERO, YOU MUST ALSO  
COMPLETE AND SIGN THE REVERSE SIDE OF THIS EXERCISE FORM.\*

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Please complete and return with your check for the amount listed in Line 14 to:

The ARA Group, Inc.  
1101 Market Street  
Philadelphia, Pennsylvania 19107  
Attention: Annette Nedd

For Transfer agent use only:

Check Number \_\_\_\_\_ Check Amount \$ \_\_\_\_\_  
HID# \_\_\_\_\_ Deferred Amount \$ \_\_\_\_\_

\*PLEASE TURN OVER.

24

Deferred Payment Obligation

For value received, I/we promise to pay to the order of The ARA Group, Inc. (referred to as the "Company") \$ \_\_\_\_\_, and to pay interest at the rate of 6.0% per year compounded annually. Payment of both the deferred obligation and interest shall be due on February 15, 1997 or on such earlier date as the Company may make demand. The obligation and appropriate interest may be prepaid at any time.

I/We grant to the Company a security interest in \_\_\_\_\_ shares of The ARA Group, Inc. common stock, Class B (the "Pledged Shares") and agree that the Pledged Shares shall be held as collateral by the Company until the amount is paid in full. In the event the amount is not paid when due, the Company shall be entitled to exercise the legal remedies available under applicable law. If any of the Pledged Shares shall be sold or otherwise transferred, then the amount shall become due immediately.

This Agreement may be assigned by the Company at any time and shall be governed by the laws of the Commonwealth of Pennsylvania.

Print Name(s): \_\_\_\_\_

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Signature Date

INSTRUCTIONS

1. Insert the Amount of Payment to be Deferred (Line 13 on the Exercise Form) in the first paragraph.
2. Insert the Number of Shares Being Purchased (Line 2 on the Exercise Form) in the second paragraph.
3. Print and sign your name exactly as on the Exercise Form (on the reverse

side). If your spouse signed the Exercise Form, he/she must also sign the Deferred Payment Obligation form. By signing the form, your spouse joins in the agreement you are making to pay the amount of the deferred payment obligation.

B-4