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Dear Board of Directors--A Legal Opinion in the Year 2000

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"Dear Board of Directors:

We write to advise you of activities of your Company that have a 'substantial possibility' of constituting a violation of law. This letter is in accordance with a recently enacted law that requires us, as your general counsel, to advise you annually in writing of activities that, in our opinion, have a 'substantial possibility' of a violation of law.

Preliminarily, we would like to mention some general considerations and possible future guidelines. You are of course aware that your auditors will require you to show them this letter since the possible violations may result in major financial liabilities. Indeed, it was one of the purposes of the new law to assure public disclosure of these possible major financial liabilities in order to aid present investors and possible future investors in making investment decisions.

Nonetheless, public disclosure of possible major financial liabilities will also necessarily be seen by others—your competitors, suppliers, customers, labor unions, stockholders, creditors and the government. They will thus be furnished grounds to bring major lawsuits against your Company, which they might otherwise not have known of, or had articulated for them. You will certainly note that a number of possible liabilities mentioned below could easily force your 100-year old New York Stock Exchange Company into bankruptcy.

Thus, the question arises whether your management should continue to discuss matters with us that may involve substantial possibilities of violations of law. The possibility that management would no longer speak freely with counsel was considered at the time of the adoption of the new law, but this consideration was rejected as being less important than other purposes of the new law. The client-attorney privilege has thus been eliminated for corporations such as yours.

We must point out to you that if your management decides not to confer with counsel, such failure to confer with counsel might well be considered negligent on its part, resulting in substantial liability by it and/or your Company to your stockholders. Moreover, if management decides not to confer with counsel but instead advises itself on legal matters, it may be deemed to be engaging in the unauthorized practice of law. Because of their possible conflict position, officers of the Company should be encouraged to consult their own lawyers. We have not been asked to consider whether your directors' and officers' insurance affords satisfactory protection.

The situation is thus truly a 'Catch-22' situation. On the one hand, if your management consults with us, we must advise you, and you will advise your auditors who in turn will require the world to be advised, of the grounds for

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possible lawsuits, which grounds might otherwise not have been thought of—resulting in liability to your Company. On the other hand, if your management fails to consult with us, that also might well be found to be negligent—also resulting in liability of your Company.

You therefore may wish in a particular situation to consider whether you should consult separate counsel as to whether you should consult your regular counsel. It is not clear at this time whether such separate counsel are covered by the new law. If it should be found that separate counsel are so covered, perhaps the individual officers of your Company should ask their own counsel whether regular Company counsel should be consulted. Counsel engaged by individual officers do not appear to be subject to the new law, although we recommend that the Company not reimburse officers for the expenses of such counsel. Perhaps, in light of the additional responsibilities imposed under the new law, the compensation of the individual officers should be increased.

We should point out that, as far as we are aware, no claim has been asserted with respect to any of the possible violations of law set forth below. Thus, in accordance with prior practice, our law firm's responses to auditors' letters did not refer to any of these matters, and your Company's financial statements likewise did not mention any of these matters.

We should also say, in fairness to your management, that the possible violations were not deliberate or wilful violations, but rather the result of carefully considered decisions to proceed in areas in which the law is uncertain. Indeed, in some instances, our firm has given your Company our written opinion that, while the questions were not free from doubt, we believed the Company should prevail if the questions are litigated. Nor did any officer benefit personally from these decisions. Nonetheless, for purposes of the new law, there are substantial questions and we are required to call your attention to the matters set forth below.

We have not attempted to quantify or estimate the liability of your Company for each substantial possible violation of law, although the newly enacted law has been interpreted by some observers as requiring that. We note, however, that many of the violations, if they are established as such, could result in major liabilities.

Now to the part of our letter that is responsive to the new law. For convenience, we will divide our letter into certain segments of your activity. We shall refer only to possible major violations of law.

General Corporate:

Your pharmaceutical division recently marketed a drug that is now known to cause major pre-natal injuries to fetuses, notwithstanding a prior written warning from your Research Director to your Marketing Director. Although the consequences of the drug have not yet manifested themselves, class action suits can be anticipated.

Your Company has taken the position that its many distributorship agreements need not comply with federal and state franchise laws because the agreements are believed by you to be technically not 'franchise agreements.' If courts should decide otherwise, your Company would have large liabilities to others.

International Transactions:

Your Company has merged with a number of other international corporations that had previously been subject to various foreign and American decrees. It is uncertain whether your merged Company is subject to, and has violated, some of these old foreign and American decrees.

Your imports from Great Britain and other Common Market countries, as well as your exports to these countries, may be held in violation of the British Monopolies Law and the Treaty of Rome.

Your Company may have breached various customs laws because of the statements of foreign costs of affiliated corporations with resulting possible reassessment of major import duties.

Antitrust:

We understand that executives of your Company meet executives of competing concerns at trade conventions. We have advised your executives to avoid discussions that relate to pricing and other terms and conditions of sale, but we have unfortunately been informally told several times of understandings that have been reached at these trade conventions.

While your acquisitions have duly complied with the Hart-Scott-Rodino law, your expansion into other product areas, your patterns of transacting business, your special provisions regarding your patents, your resale price agreements, and your informal division of markets with your competitors may be deemed predatory and violative of the antitrust laws.

Your Company opened a branch in a state in which one of your principal competitors is located, hiring several executive employees from the competitor. Your prices in that state are lower than elsewhere although you believe there is a sound basis for your pricing system in that state. However, your competitor may successfully claim that your purpose was to eliminate it as a competitor.

Labor:

You made the decision, when you recently acquired the assets and goodwill of the Smith division, that you were not bound by the collective bargaining agreements, NLRB settlements and Equal Employment Opportunity and Human Rights Commissions decrees of the former Smith corporation. Contrary claims may be asserted.

The hiring and promotion policies at certain of your plants, as set forth in then privileged memos to our firm, may give rise to class action suits on behalf of women, blacks and other protected groups.

Your Company has determined gradually to contract out certain phases of your operations as part of a broader decision to close your Jones plant over a period of years; these steps are being made without bargaining in advance with the appropriate unions.

Tax:

Carry-forward losses of your recently acquired electronics group in the amount of $100 million have been deducted against your consolidated income. If, however, the Internal Revenue Service should be successful in a contention that these losses are not allowable, there would be a large additional tax liability.

Your Company and its subsidiaries have over the years failed to qualify to do business, and to pay local taxes, in many states in which local courts may find that such action was necessary, with resulting penalties and interest.

During the fiscal year just ended your Company's textile subsidiary adopted

LIFO. It was our opinion that the method used in determining the opening inventory for the year for tax purposes was correct. If, however, the Internal Revenue Service should assert adjustments and the Company should agree to such adjustments, there might be a large additional tax liability.

Real Estate:

Your Company recently used the proceeds of a large debt offering to build its new executive headquarters. While you believe environmental and zoning regulations permit the new building, the questions are not, as we advised you, free from doubt.

Moreover, you have been concerned that your new building may encroach on neighboring property depending upon the interpretation of an ambiguous century-old deed and related survey, even though your neighbor is presently unaware of the ambiguity in the old deed and survey.

SEC:

None of the above risks was mentioned in two recent prospectuses of your Company, one in connection with a $200,000,000 debt and Common Stock offering, and the other in connection with the issuance of $100,000,000 of your Common Stock in exchange for the stock of another corporation—in possible violation of the disclosure requirements of the Securities Act of 1933. As you will recall, your Company used as its counsel for these short-form offerings your inside General Counsel (who has since died); our firm was not consulted. Nor did these risks appear in your Form 10-K or in your Annual Report to Stockholders.

As you know, partly due to general stock market conditions, the market value of your Company's securities has recently sharply declined. As a result, any judicially sanctioned remedy of rescission by the acquirers of your securities could have calamitous consequences to your Company.

Please do not hesitate to call upon us if we may be of any further help to you in connection with the foregoing.

Very truly yours,"