

M E M O R A N D U M

TO: John J. Huber

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RE: General Disclosure and Tender Offer
Requirements of the U.K. for Exchange Offers

DATE: January 27, 1984

Pursuant to our telephone discussion today with Peter Lee, Deputy Director General of the London Panel on Take-Overs and Mergers, we have obtained the following information regarding the disclosure and tender offer requirements for exchange offers in the U.K.:

I. Offer Document - Disclosure

A. Financial Statements

1. 5 years certified financial statements
 - a. appears to be selected data based upon certified summary information (see attached Thorn-EMI offering circular)
2. 1 year balance sheet
3. any preliminary or interim information that has been released
4. statement as to any material changes since the date of certification
5. if bidding company has made a forecast;
 - a. must be substantiated by its advisor
 - b. U.K. accounting bodies do not allow forecasts beyond 18 months

B. Business of Offeror

1. names (only) of Directors, no background information (the Board runs the company)
2. intentions regarding the offeree
 - a. continuation of business
 - b. long term justification for acquisition

2.

3. not as detailed as in listing agreement since information is available from Exchange
4. Take-Over Code Rules and Stock Exchange Rules apply
 - a. Companies Act not applicable to exchange offers
5. Segment information not compulsory, but may be provided.

II. Tender Offers - Timing Requirements

A. Commencement of Offer

1. announce bid by press statement
2. press statement mailed to shareholders
3. mail disclosure document to shareholders within one month after announcement

B. Offering Period

1. offer must remain open a minimum of 3 weeks after posting (mailing)
2. if offer revised, must remain open for 2 weeks after revision

C. Withdrawal Rights

1. offer conditional upon 50 percent acceptance
 - a. once 50 percent accepted, offer becomes unconditional as to acceptance
 - (1) must become unconditional as to all other conditions within 3 week thereafter
2. right of withdrawal if offer is not unconditional 21 days after the first closing date of offer
 - a. minimum offering period for first closing date is 21 days; therefore right of withdrawal will not become effective until the 42nd day of an offer

D. Pro Rata Rights (Partial Offers)

1. number of partial offers is extremely small
 - a. out of approximately 150 offers per year, 1 or 2 may be partial

3.

2. all shareholders treated equally
 - a. entitled to pro rata allotment

E. Other Purchases During Offer

1. if partial offer - no purchases outside offer
2. if full offer - can purchase on Exchange
 - a. if bidder buys more than 15 percent of the target on the Exchange during a 12 month period, he must include a cash offer (or cash alternative) in his offer at the highest price paid on the Exchange
 - b. if bidder buys 30 percent of the target, a mandatory bid is triggered
 - (1) must have cash offer (or cash alternative)
 - (2) must drop all conditions to the offer, except the acceptance condition

III. Section 209 of Companies Act

- A. Initial offer must be made to all shareholders in order to use compulsory take-out provisions of Section 209
- B. Issue as to definition of "all"
 1. may be all U.K. shareholders (see Thorn-EMI)

IV. Additional Questions

- A. Most offerors are London Stock Exchange listed
- B. Statute of Frauds
 1. pertains more to who can make offer (i.e., dealers)
 - a. this is not relevant to disclosure and generally not relevant in our context to take-overs
- C. U.S. bidder for U.K. Company
 1. generally must comply with U.K. system
 - a. would not compel disclosure if it is not available
 2. most U.S. offers are for cash
 3. would not require reconciliation of financial information