SECOND DAY OF TESTIMONY

ON

TAKEOVER LEGISLATION

JANUARY 21, 1988

TESTIMONY OF

ANDREW G. BERG

ON THE DELAWARE TAKEOVER BILL

BEFORE THE JOINT HEARING OF THE

DELAWARE SENATE AND HOUSE JUDICIARY COMMITTEES

January 21, 1988

Chairman Hebner, Chairman Sharp, and members of the Senate and House Judiciary Committees.

My name is Andrew G. Berg. I am an attorney with the Washington, D.C. law firm of Akin, Gump, Strauss, Hauer and Feld, specializing in mergers and acquisitions matters. Over the past several years, our firm has been active in the ongoing debate on tender offer reform at the federal level. Although Akin, Gump represents several clients in this area, the views expressed in my testimony are my own, and they do not necessarily reflect the views of any of our clients or the views of other attorneys at Akin, Gump.

I am opposed to the Delaware takeover bill. The Bill is bad for Delaware, it is bad for shareholders of Delaware corporations, and it is bad for our nation's economy.

The Bill, if adopted, would create a nearly insurmountable bar to takeovers or substantial investments in Delaware-chartered corporations with publicly-traded stock. Although the Bill sets forth certain exceptions to its three-year freeze-out provision and permits corporations to "opt-out" from its coverage, in practical terms these exceptions are meaningless.

The clear effect of the Bill is to discourage <u>all</u> unfriendly acquisitions of Delaware-chartered corporations. By prohibiting a purchaser from merging with the target company and controlling its assets, the Bill would discourage <u>all</u> unfriendly tender offers, partial or otherwise, since a purchaser could not be

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assured of receiving in excess of 85% of a company's stock in an "any-or-all" offer and thereby avoid coverage. Even if the bidder makes its offer contingent on receiving more than 85% of the target's stock, most bidders are unwilling to bear the immense transaction costs incurred in making an unfriendly tender offer that, as a practical matter, can be so easily defeated.

Another of my concerns is that by restricting shareholders' control over disposition of their company's assets for this three-year period, the Bill effectively disenfranchises shareholders. As owners of the company, shareholders should have the right to consider takeover offers and evaluate them. Shareholders, not management, should be responsible for ultimately deciding whether an offer for their assets should be accepted or rejected. Legislation that prevents offers from being made to the owners for their assets is improper.

Contrary to the Bill's goal of protecting corporate shareholders, the Bill would in effect protect corporate management from the market for corporate control at the expense of shareholders. Legislation that protects incumbent management from the disciplines of the free market endangers jobs, corporate growth, and community stability. The Bill would entrench management and prevent efficient, prospective management from creating competitively strong and dynamic organizations.

Healthy and vital corporations are important to <u>all</u> corporate constituencies -- shareholders, employees, customers, and

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local communities. Corporations that are well-managed are not only good investments, but are also reliable employers and taxpayers that contribute significantly to the economies of the communities in which they operate. Good corporate management is vital to a strong state and local economy. Jobs are created by dynamic and competitive companies that can adapt to constantly-changing market conditions, not by companies that hide from competition and the free market through regulatory protection. Legislation such as the Delaware bill that protects weak management and imposes insurmountable barriers to the acquisition and rejuvenation of inefficiently-run companies would cause far-reaching social and economic harm.

The Delaware statute also is not needed. The principal goal offered in support of the Bill is protecting shareholders from economic coercion in the context of partial or two-tier tender offers. Another goal is bolstering management's defenses against takeovers in order to protect shareholders and maximize share price in tender offers. While these goals may be legitimate, the Delaware statute is not needed to achieve either of them.

The Delaware takeover legislation is not needed to bolster management defenses against takeovers. A large number of corporations have already adopted measures to defend against unfriendly takeovers for the benefit of shareholders. As of January 1987, more than 400 of the Fortune 500 companies -- of which over 250 are chartered in Delaware -- have adopted some

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form of anti-takeover measure, such as poison pill plans. Although the courts have scrutinized the use of these defensive tactics closely, they have been invalidated only where the courts have concluded that they were adopted by incumbent management to entrench itself, rather than for the purpose of protecting shareholder interests.

Moreover, the Bill does not afford Delaware-chartered corporations any protection that could not be more properly secured through charter or by-law amendments. Existing Delaware law permits a corporation to amend its corporate charter or by-laws to protect minority shareholders from economic unfairness in a freeze-out situation. From a public policy perspective, it is more appropriate that shareholder protection be provided in this way -- allowing a corporation to design and adopt whatever specific protections are needed -- than for a state to impose over-broad and over-inclusive protection not needed by individual corporations and their shareholders.

Another important flaw of the Bill is that the provision permitting individual corporations to "opt-out" gives little regard to principles of shareholder democracy and corporate self-determination. Under the Bill, a corporation may "opt-out" by so providing in its original certificate of incorporation, by amendment to the by-laws adopted by the corporation's board of directors within 90 days of enactment of the law, or by a charter or by-law amendment adopted by disinterested outstanding shares. I

oppose this "opt-out" provision. In practice, it makes it virtually impossible for shareholders, against the wishes of management, to avoid the coverage of the Bill.

Instead, this presumption of need should be shifted away from automatic coverage. The Bill should require that corporations affirmatively "opt-in" to coverage of the protections of the Bill by a vote of all shareholders. This would give shareholders of an individual corporation the right to decide whether they want the "protection" offered by the Bill. This would allow the owners of the corporation -- its shareholders -- to decide whether they needed protection, not the agents of the shareholders -- corporate management -- whose interests may not coincide with shareholders' interests. Regrettably, several states have adopted anti-takeover statutes because management of some companies have been unwilling to allow shareholders to decide how much protection they wanted from takeovers.

In short, Delaware has a clear economic interest in making the state hospitable for corporations. As legislators, you would be remiss to not at least consider the adoption of a takeover statute such as this Bill. However, clearly more is at stake than just short-term employment and revenues. Other important concerns -- such as U.S. industrial competitiveness, cost-efficient capital formation, and basic tenets of shareholder democracy -- are involved. I urge you to forego these short-term fixes, which come at the expense of long-term solutions, by rejecting the adoption of the Delaware takeover bill as drafted.

STATEMENT BY
ELMER W. JOHNSON
EXECUTIVE VICE PRESIDENT
GENERAL MOTORS CORPORATION

I appreciate this opportunity to appear before you, on behalf of myself and my fellow members of the Executive Committee of the Board of Directors of General Motors. We urge you to adopt into law the bill that has been endorsed by the Delaware Bar Association after lengthy and careful deliberation. We respectfully urge you to reject any alterations or amendments, such as the "opt in" proposal, that would cripple House Substitute No. 1 to House Bill No. 396.

The Bar Association proposal, in my judgement, would achieve the appropriate balance, a balance lacking in America over the last ten or fifteen years, between two extremely important principles. The first is the principle that the directors and officers of our corporations must be held accountable to stockholders for the competent and faithful stewardship of the enterprise. The second principle is one that we have ignored at great cost in terms of global competitiveness. This second principle is that business corporations are long term institutions. Their full competitive strength and organizational capabilities are achieved only after many years, even generations, of building. The building of an ethos among our employees, dealers, and suppliers requires the kind of stability that permits and encourages management to make their investments and lay the foundations that pay off only over the long-term. There are no easy short-cuts.

In the case of our own company, the organizational genius of Alfred Sloan and the financial wisdom and stability provided by the du Pont organization in the early decades of our corporate existence enabled my forebears to build a great organization, one that has an implicit compact with its employees, its communities, its dealers and its suppliers. These networks of cooperation have worked well, because our stockholders and investors understood that while they had the reserve power to unseat management, in appropriate circumstances, they could not do so in a manner that would enrich some stockholders at the expense of others, or in a manner that would amount to a breach of trust to the other stakeholders in the enterprise.

I believe that a central policy of our state corporation laws must be to maintain an even balance between the two principles I have enunciated. We have sadly lost this balance in recent years, and you now have a great opportunity to restore that balance.

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By doing so, you will not only retain strict accountability of directors and officers by maintaining a fair and even playing field in the market for corporate control, but you will also enable some of America's largest corporations, incorporated in Delaware, to maintain and enhance their long-term stability and competitive strength in the global market. You will help stop the de-equitizing of the industrial base of this country. And you will remind all of us who are running these large corporations that we are stewards not only of private capital, but also of public trust, and that corporations are not playthings of managers, takeover artists and arbitrageurs.

I am arguing that this bill re-asserts the connection between the pursuit of private wealth and the pursuit of the public purpose. I urge you to pass House Substitute 1 to House Bill 396 as quickly as possible.

Statement of

Mr. Jerry Davis

Processing Plant Manager

ConAgra, Inc.

Poultry Processing Center

Milford, Delaware

Thank you Mr. Chairman, and good afternoon. My name is Jerry Davis. For the past 3 years, I have served as the Processing Plant Manager at the Milford facility of ConAgra, Inc.

ConAgra, Inc. is a Fortune 500, diversified company that operates production, processing, supply, distribution, and growing processes across the food chain. While headquartered in Omaha, Nebraska, ConAgra is a Delaware corporation that has invested heavily, and established deep roots, in Delaware.

There are three con Agra operations in the First State, including an agricultural chemical distribution center in Seaford which operates as United Agri Products, a meat processing and distribution center in Newark which operates as Swift Independent Packing Company, and the poultry processing center in Milford. The Milford operation is by far the largest of the three. In Milford, ConAgra directly employs 1,100 people who process approximately 50,000,000 chickens a year. The annual salary paid to these 1,100 Delawareans amounts to $20,000,000.

Additionally, ConAgra/Milford has contracts with over 200

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Delaware chicken growers to whom it pays, on average, collectively $6,000,000 per year. What's more, ConAgra purchases between $75,000,000 and $100,000,000 in chicken feed in Delaware and elsewhere on the Delmarva Peninsula: and the value of the many support services which it purchases from businesses within the Milford community is many millions of dollars more.

All told, ConAgra annually contributes more than $30,000,000 directly to the greater Milford economy, and more than $100,000,000 to the Delmarva economy.

I am not here today as an expert on corporate takeovers--my job is the efficient processing of chickens. I am here because my company supports House Substitute 1 for House Bill 396.

ConAgra is a very well managed company. ConAgra is consistently recognized by industry analysts as one of the best managed companies in the food industry, and our stockholders have been well rewarded. In ten years' average annual return to investors, ConAgra ranked fourth among the Fortune 500. ConAgra is highly profitable, highly diversified, and highly decentralized among its many product and service lines. To the corporate raider, all these profit centers, scattered across America, which may be stripped and sold in pieces, are ripe for the picking.

As employees of one of these profitable pieces of ConAgra, we of ConAgra/Milford have a special perspective about hostile takeovers. When windfalls are the order of the day, when short

term benefit is everything, employees become little more than driftwood Spin-offs mean layoffs and cutbacks and relocations and consolidations.

And when these things happen, it is not just the employees who suffer: communities such as Milford, of which ConAgra is such an important part, suffer as well with the impact of lost jobs, lost contracts, and lost confidence. These tear at the business and social fabric of any community.

I cannot say that House Substitute 1 for House Bill 396 is the final answer to the concerns which we at ConAgra/Milford have about hostile takeovers. But what I can say is this: If this Bill will help guarantee the long term interests of ConAgra as an ongoing concern, as well as its stockholders, and its employees, then we at ConAgra/Milford join all members of the ConAgra family in urging the Delaware General Assembly to pass this law now.

Testimony
By: D. R. Kirtley
Joint Judiciary Hearing
Dover, Delaware
January 20, 1988

My name is Donald R. Kirtley. I am Vice President, Public Affairs of Hercules Incorporated. Hercules has approximately 3,000 employes in Delaware. This month we are celebrating our 75th anniversary as a company and as a Delaware corporation.

I am here to speak in favor of House Substitute No. 1 for HB 396, and to ask you to move ahead expeditiously in its enactment. Hercules believes its enactment is important to Delaware for the following reasons:

First, to keep Delaware in its leadership position as the State of choice for incorporation. Half of the largest U. S. corporations are incorporated in Delaware. That means half are not. By my count, at least 28 State legislatures out there where the other half are incorporated have already acted. Delaware is playing catch up. This issue has been debated since last April. The Bar Association spent the summer and fall working on the issue, drafting the proposal and sending it to interested parties for comment. So the issue has been fully aired and debated.

Secondly, we seek its enactment for fiscal and economic development reasons, which will become clear as I describe what this bill does and does not do.

This bill does not limit legitimate fully financed, fully priced buy out offers for a company's stock.

This bill has nothing to do with legitimate proxy fights in which shareholders vote to throw out the current board of directors of a corporation in favor of one more to its liking.

All this bill does is stop the greenmailers.

I will give you an example of how greenmailers work: they take a stock position and ask the company to buy them out at double or triple what they paid. If the company says no, the greenmailer takes a larger position and announces a takeover bid, a raid. Quickly, arbitrageurs (speculators) buy the company's stock and thus the company's shareholder base shifts from investors to arbitrageurs. The latter's only goal is to ratchet up the stock as quickly as possible to make a fast profit.

I will mention two companies with which I am familiar that this has happened to and describe some of the job loss and community and economic development loss that followed.

Gulf Oil Company was headquartered in Pittsburgh and employed 5,000 people there. A greenmailer raided Gulf. In the battle Gulf became so crippled it was forced to seek a "white knight" to come in and take over. The white knight took over the assets -- and let the people go. 5,000 jobs were lost in Pittsburgh, and the personal loss by those families was crushing and the economic development loss to the community was severe.

Phillips Petroleum Company is headquartered in a small town, Bartlesville, Oklahoma. A town about the size of Dover. A greenmailer raided Phillips. Instead of seeking a white knight, the company recapitalized, meaning it borrowed the money to pay off the greenmailer and the arbitrageurs. But it ended up badly in debt. The interest costs on the debt are so great, Phillips has had to lay off thousands of employes in the town of Bartlesville, a devastating blow to the local economy and, of course, to the people involved. This week, as we speak, another 500 people are being laid off in Bartlesville.

The specific political, public policy matter the legislature is being called on to address here is this: Are we in favor of greenmailers or are we against them? The bill doesn't stop takeovers or proxy fights; it stops greenmailers. Do we declare open season on our state's corporations and jobs by greenmailers - or do we shut down the greenmailers.

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This bill does one thing: it stops the greenmailer. At least 28 other States are ahead of us in taking action against this type of activity. And I hope you ladies and gentlemen will move expeditiously toward curtailing it also.

Testimony of James E. Heard
Before the Delaware General Assembly

January 20, 1988

My name is James E. Heard. I am executive director of the United Shareholders Association, a position I have held since December 1, 1987. Previously, I served as deputy director of the Investor Responsibility Research Center, a Washington, D.C. research group that provides analysis of shareholders' rights issues to more than 300 pension funds and investment management firms. I am a graduate of George Washington University Law School and a member of the Bar Association of the District of Columbia. I am also an adjunct faculty member at Georgetown University School of Business.

The United Shareholders Association was founded in August 1986 to serve as an advocate for shareholders' rights. More than 15,000 individuals joined USA in its first year. We testified before Congress and the Securities and Exchange Commission numerous times on shareholders' rights issues. We appreciate the invitation to appear today to present our views on the proposed Delaware Takeover Statute (HB 396).

The eyes of the nation are on Delaware right now. What you do here in the next few days and in coming weeks will have major consequences for our nation's economy. Your actions will affect the welfare of millions of shareholders

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throughout the nation. And it will have a major impact in Delaware.

There are a number of important questions that members of the General Assembly should consider regarding HB 396. Among them are the following:

IS THIS LEGISLATION NECESSARY TO PROTECT SHAREHOLDERS?

The Delaware Bar Association and the Castle Administration would have you believe that the proposed legislation protects shareholders of Delaware corporations. But ask yourselves: Who is pushing for this legislation?

The real sponsors of this legislation are out-of-state executives who are trying to frighten the General Assembly into hasty action. Why? To protect shareholders? Ask yourselves: How many shareholders want this legislation?

If indeed this legislation is designed to protect shareholders why will its sponsors not agree to let shareholders vote to adopt the protection being provided?

Any corporation chartered in Delaware can already adopt the provisions in HB 396, in the form of amendments to its articles of incorporation, provided the company obtains shareholder approval. Shareholders of hundreds of Delaware companies have approved fair price charter amendments, staggered elections of directors, and limitations on directors' liability in recent years. Indeed, according to figures compiled by the Investor Responsibility Research Center, shareholders of 679 major companies -- most of them incor-

porated in Delaware -- approved charter amendments in 1987 to limit directors' liability.

If the managements of Delaware chartered companies truly have the best interests of shareholders in mind, they can allow shareholders to decide for themselves whether they want the protection offered in HB 396.

HOW WILL THE LEGISLATION AFFECT JOBS?

It is often said that takeover legislation is needed to save jobs. In fact, such legislation guarantees not a single job, except for top managements'.

The greatest threat to jobs is entrenched management that is unaccountable to its shareholders for performance.

It might interest you to know that one company, General Motors, has fired 156,000 workers since 1983. This is twice as many jobs as even the AFL-CIO says have been lost due to takeovers in recent years.

Yet GM, along with other Business Roundtable companies, urges you to approve this legislation to protect jobs.

Altogether, according to the U.S. Department of Labor, more than three million workers lost their jobs due to management-initiated plant closings between 1979 and 1983.

Recent academic studies of takeovers in New Jersey and Michigan found virtually no job loss due to takeovers; and the same studies concluded that corporate restructurings are creating new jobs.

This month, the Labor Department reported the lowest

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unemployment rate in more than a decade. More people are working in America today than ever in our history. This has occurred in the midst of the most active period of takeover activity in our nation's history.

The enactment of the Castle/Bar Association bill will stop much of this beneficial takeover activity. A bloated, unaccountable bureacracy like General Motors will still be able to make acquisitions, using retained earnings or bank loans. But anyone wishing to restructure a company like GM to make it more efficient wouldn't stand a chance if the Castle/Bar Association bill is enacted.

The proposed legislation will do nothing to discourage wasteful acquisitions by inefficient managements like GM, but it will stop many of the restructurings that are making our economy more efficient and more competitive. Competition and accountability, not management entrenchment, should be the goal of legislation.

WILL CORPORATIONS LEAVE DELAWARE IF THE GENERAL ASSEMBLY FAILS TO ENACT HB 396?

The answer is no. Delaware has a well deserved reputation for flexibility and predictability in its corporation law. Its courts are the best, and corporate taxes are low. Corporations have many very good reasons to incorporate in Delaware.

Corporations are coming to Delaware in record numbers. More than 25,000 new companies came to Delaware in

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1987. Since September 1986, 45 large companies have reincorporated in Delaware, some from states that already have takeover statutes. The only major firms to leave Delaware -- Pepsico and Flower Industries -- left for reasons unrelated to takeover legislation.

No corporation can relocate in another state without shareholder approval. Shareholders do not like takeover statutes; this is particularly true of institutional shareholders who own more than a majority of the stock in Fortune 500 companies like Boeing and Hercules. Their shareholders will oppose an attempt by Delaware corporations to incorporate elsewhere.

WILL HB 396 AFFECT PENSIONS?

Most pension funds invest today to provide benefits tomorrow. Studies by the Federal Trade Commission, the Securities and Exchange Commission and various academics show takeover laws hurt stock market performance. Former SEC Chief Economist Gregg Jarrell estimates that legislation like HB 396 could cost shareholders up to $50 billion. This would affect individual shareholders -- including more than 140,000 Delaware residents -- and pension funds that invest in the stock market, including the Delaware State Retirement System.

Conservative estimates suggest that direct shareholder gains from takeovers and corporate restructuring totaled at least $200 billion over the last five to six years. Just

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as important as these direct gains from completed deals, however, are the benefits to all shareholders -- indeed to the entire economy -- from the efficiencies created when corporations restructure either to avoid a threatened takeover or to enhance shareholder value to eliminate the possibility of a takeover. The results of this activity can be seen in the steadily improving productivity and competitiveness of U.S. manufacturing industries.

The Delaware State Retirement system has about 35 percent of its assets invested in common stocks. Any drop in the market value of stocks due to enactment of HB 396 will affect the Delaware State Retirement Fund.

If the Castle Administration/Bar Association bill is enacted and stock prices fall, pension funds such as the Delaware State Retirement System would need additional funding to meet their obligations. This means higher taxes. The only other alternative would be to reduce benefits for future retirees.

WILL ENACTMENT OF HB 396 AFFECT PENDING CONGRESSIONAL LEGISLATION?

The real danger to Delaware is not that corporations will leave the state, but that the federal government will decide to preempt state takeover laws. A steady erosion of state authority would follow and this would undoubtedly cost Delaware its preeminent position in corporation law.

Adoption of HB 396 can only strengthen the case for federal preemption of state takeover legislation. The

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chairman of the Securities and Exchange Commission is already on record as supporting federal preemption. Key members of Congress, including Representative John Dingell of Michigan, have expressed misgivings about state takeover legislation. A California legislative commission has voted to recommend that California's congressional delegation support federal preemption.

More than 45 percent of New York Stock Exchange companies, and more than half of all Fortune 500 companies, are incorporated in Delaware. Revenues from incorporation fees and franchise taxes account for 16 percent of state revenues. Once the federal government preempts, corporations may decide that there is no advantage to incorporate in Delaware. The impact on state revenues would be dramatic.

IS THERE AN EMERGENCY THAT REQUIRES IMMEDIATE ACTION BY THE DELAWARE GENERAL ASSSEMBLY?

The only emergency is that supporters of legislation know that it cannot withstand close scrutiny. Legislatures in other states has been stampeded into hasty action on similar legislation, only to discover later that they have been mislead and used to appease entrenched corporate managements.

Many other individuals have requested to be heard at these hearings but were unable to attend on such short notice. Rather than rush forward with hasty legislation, I would urge you to hear all individuals who want to be heard. Among those unable to appear today, but anxious to

testify, are major pension funds, prominent economists, law professors, and individual investors.

IS THERE A BETTER ALTERNATIVE TO HB 396?

The best alternative to HB 396 is no legislation. But, if the General Assembly believes otherwise, SB 311 is a better alternative. SB 311 is similar in most respects to HB 396, except that it requires companies to "opt in" to coverage of all proposed takeover provisions. This is consistent with the philosophy and history of the Delaware statute. It is also the approach that the General Assembly used when it adopted amendments regarding directors' liability in 1986.

An "opt in" requirement is the approach that is fairest to shareholders. It is less likely to disrupt the markets or to adversely affect the state retirement system. Ultimately, if there is to be legislation, SB 311 would be less likely to require higher state taxes, to undermine Delaware's preeminent position in corporation law or to invite federal intervention.

What is best for Delaware, its citizens and the nations' shareholders -- rather than a few self-interested CEO's -- should be your major concern.

DELAWARE STATE C.A.P. COUNCIL UAW
2150 WEST NEWPORT PIKE
STANTON, DELAWARE 19804
PHONE (302) 999-0594

RONALD E. QUEEN
President

JOHN A. ROBBINS
Vice President

DANIEL W. KOMARA
Financial Secretary

FLORENCE S. JOHNSON
Recording Secretary

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW

The Delaware State CAP Council UAW is in support of House Substitute #1 of HB 396, the takeover reform legislation. We urge you to pass this legislation and pass it quickly. We urge this because every day that enactment of takeover reform is delayed is another day in which many people can be harmed by the abuses of hostile takeovers.

There are not many times when union and management agree. When we do agree, however, it has to be for some very important and compelling reasons. Takeover reform is one of those rare issues that we all support.

In this situation it's interesting to note who opposes the legislation and how they attack it. The opponents of the bill are corporate raiders and a few pension funds which hope to gain excessive short term profits at the expense of everyone else. They are at this very moment trying to kill this legislation through a series of slick ads and distortions of the truth. They've made it seem that the little guy will be hurt instead of helped by this legislation. They even got some of our union members to send you their postcards before anyone really knew the issues involved.

Well, I can tell you that the little guy, the average worker, supports this legislation. The pension fund holders should also support takeover reform, because without this legislation there won't be any private industry jobs or taxes for public jobs left. Pension funds are there to provide security for workers, but some of them are lobbying you to effectively eliminate the jobs they are there to serve.

So why would anyone oppose takeover reform. The only real opponents are the corporate raiders who want to continue to manipulate the system so that they can make substantial profits, regardless of the consequences. Their mentality is that of the Wall Street trader who uses inside information. It doesn't matter who loses as long as they win. This is the worst abuse of the old maxim of "the rich get richer and the poor get poorer."

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If allowed to continue, the abuses of hostile takeovers will bankrupt our country, while the corporate raiders enjoy the profits of their tactics.

In a hostile takeover, only one thing is certain. The workers will suffer. The men and women who pay their way with their sweat will lose their security, their standard of living and all too frequently their jobs. These are the same people who provide the foundation for our society. These are the people who raise the children of our future, pay their taxes and give to their communities. All they really want is to make an honest wage for an honest day's work and to give back some of what this Country has given them.

These hopes are dashed, however, when they become the innocent victims of a hostile takeover. One of two things happens to them. Either the target company fights off the takeover by assuming enormous debt which must be repaid by selling or closing the very operations which supply jobs; or, the corporate raider pays for his partial acquisition by selling or closing operations and firing workers. Hostile takeovers, simply put, result in the mass elimination of jobs.

Our Country is slipping back with the underdeveloped countries in its concentration of wealth in fewer and fewer hands.The workers who provide the foundation for our great Country are losing their livelihoods and their ability to contribute to the system. To stem this tide we are pulling out all stops in our dealings with foreign competitors. Yet at the same time, we are allowing the hostile takeover abuses to continue to destroy us from within.

The Delaware General Assembly now has the opportunity to correct these abuses. For the sake of equity and our livelihoods, we urge you to pass House Substitute #1 to HB 396 at the earliest possible moment.

Ronald E. Queen
President Delaware State
UAW CAP Council

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1) Kenner Parker	1.91	1.141	134	+67%
2) Research Cot	2.00	.94	134	+113%
3) Burlington	1.77	.64		+176%
4) Conrac	1.79	1.17		+53%
5) Rexnord	159	.92		+73%
6) No Am Phil	144	87		+65%
7) * Cyclops	1.21	.6		+100%
8) ** Westburn Inter	95	.86		+10%

All company's for period studied were inclusively SUB Performers for the stock Holds

* Cyclops although brought less of an average price gave it stock holders 2X its average ralative trading price

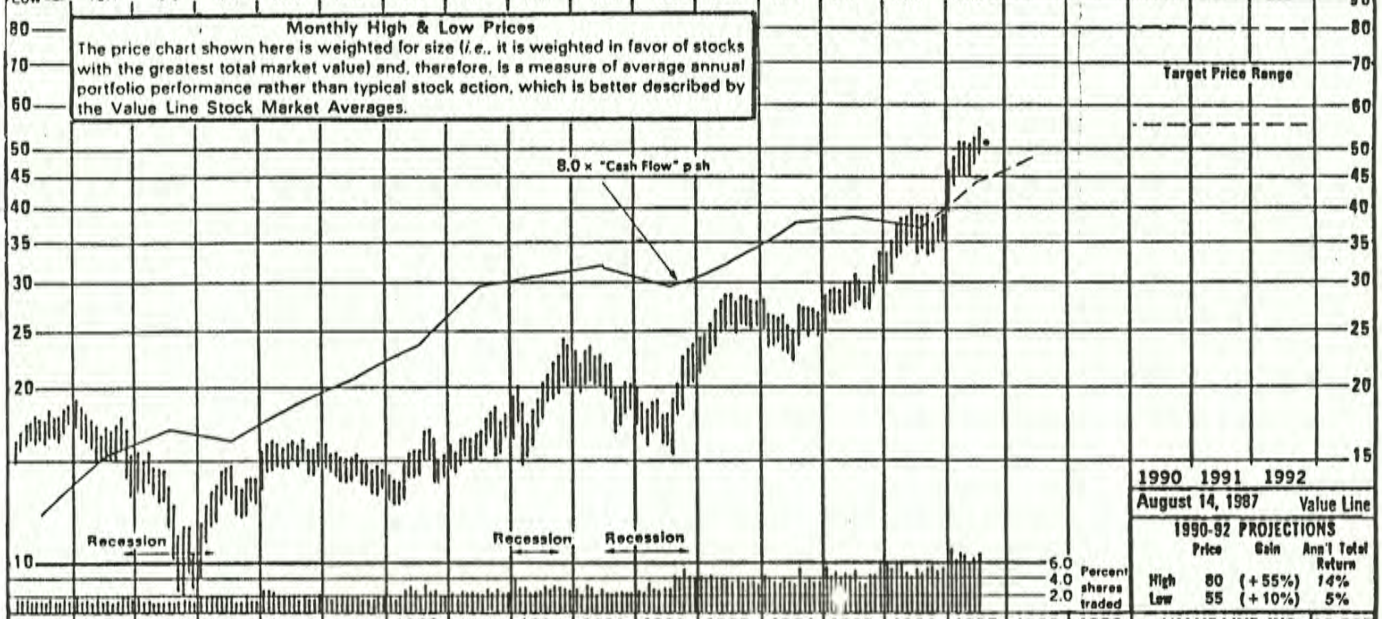
** Westburn is a Canadian Co. The T.O. price was higher than the company usually trade but not very High.

1/21/88 James P. Kehil

INDUSTRIAL COMPOSITE

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
51	17.9 (Trailing: 22.9 Median: 9.7)	1.09	2.3%

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
High	19.2	15.7	14.9	16.4	16.2	17.0	18.6	24.1	23.5	23.7	28.9	28.3	33.6	39.6	54.7	
Low	13.1	8.8	9.5	13.3	13.2	12.6	14.4	14.9	16.9	15.6	21.1	22.4	24.7	29.8	38.9	



August 14, 1987 Value Line

1990-92 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+55%)	14%
Low	55	(+10%)	5%

1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	© VALUE LINE, INC.	90-92E
16.98	20.40	25.40	26.51	29.24	32.86	36.78	43.39	48.89	51.91	50.37	50.45	54.31	56.96	55.46	*58.60*	*62.70*		Sales per sh (A)	*84.50*
1.53	1.91	2.13	2.04	2.35	2.60	2.96	3.74	3.85	4.01	3.67	4.08	4.70	4.85	4.70	*5.55*	*6.00*		"Cash Flow" per sh	*8.60*
.86	1.17	1.31	1.15	1.42	1.58	1.78	2.38	2.30	2.27	1.71	1.98	2.43	2.30	2.15	*2.85*	*3.20*		Earnings per sh (B)	*5.25*
.38	.42	.46	.46	.53	.61	.67	.78	.85	.89	.91	.91	.99	1.06	1.08	*1.15*	*1.25*		Div'ds Decl'd per sh	*2.15*
1.11	1.38	1.87	1.86	1.84	2.10	2.45	3.20	3.80	4.29	3.98	3.29	3.69	4.20	3.75	*3.85*	*4.00*		Cap'l Spending per sh	*4.50*
7.27	8.16	8.98	9.53	10.25	11.24	12.30	13.93	15.47	16.58	16.95	17.66	18.42	19.24	19.61	*21.60*	*23.90*		Book Value per sh (C)	*33.50*
35.53	35.39	35.69	35.94	36.98	37.44	38.05	38.52	39.30	40.28	40.92	42.27	42.44	42.65	43.26	*43.50*	*43.85*		Common Shs Outst'g (D)	*45.00*
19.3	13.9	9.4	11.1	10.5	9.0	8.0	6.7	8.1	8.9	10.8	12.6	10.3	12.2	16.0	Bold figures are Value Line estimates			Avg Ann'l P/E Ratio	*13.0*
1.32	1.37	1.32	1.48	1.34	1.18	1.09	.97	1.08	1.08	1.19	1.07	.96	.99	1.09				Relative P/E Ratio	*1.10*
2.3%	2.6%	3.7%	3.6%	3.5%	4.3%	4.7%	4.9%	4.5%	4.4%	4.9%	3.6%	4.0%	3.8%	3.1%				Avg Ann'l Div'd Yield	*3.2%*

CAPITAL STRUCTURE as of Fiscal Year 1986 (A)
Total Debt $571.2 bill. Due in 5 Yrs. $271.1 bill.
LT Debt $446.9 bill. LT Interest $42.8 bill.
Incl. $27.8 bill. capitalized leases and $14.7 bill. convertible debt.
(LT interest earned: 4.9x; total interest coverage: 3.7x) (34% of Cap'l)

Leases, Uncapitalized Annual rentals $21.2 mill.

Pension Liability $7.7 bill. in '86 vs. $5.4 bill. in '85

Pfd Stock $30.2 mill. Pfd Div'd $2.3 mill.
Incl. $13.4 bill. convertible preferred. (2% of Cap'l)

Common Stock 43.26 bill. shs.
(43.74 bill. fully diluted shs.) (64% of Cap'l)

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		90-92E
1399.6	1671.5	1921.5	2091.1	2061.1	2132.6	2304.9	2429.2	2399.0	*2550*	*2750*		Sales ($bill) (A)	*3800*
13.5%	13.8%	12.6%	12.0%	11.5%	12.6%	13.5%	13.3%	12.7%	*14.0%*	*14.0%*		Operating Margin	*15.0%*
44.8	52.4	60.9	70.1	78.5	86.0	93.1	104.2	110.7	*115*	*120*		Depreciation ($bill)	*150*
68.8	92.6	91.8	92.9	73.4	88.7	108.5	104.7	94.9	*125*	*145*		Net Profit ($bill)	*235*
49.6%	46.4%	47.6%	44.7%	46.7%	46.5%	45.4%	46.6%	42.8%	*43.0%*	*40.0%*		Income Tax Rate	*40.0%*
4.9%	5.5%	4.8%	4.4%	3.6%	4.2%	4.7%	4.3%	4.0%	*4.9%*	*5.2%*		Net Profit Margin	*6.2%*
208.1	229.7	244.9	250.7	240.3	263.0	260.9	262.2	272.2	*295*	*310*		Working Cap'l ($bill)	*450*
195.8	213.9	245.2	288.6	309.6	307.1	341.1	387.9	446.9	*500*	*545*		Long-Term Debt ($bill)	*775*
485.1	555.1	627.1	688.7	719.5	773.6	809.9	849.4	878.7	*970*	*1080*		Net Worth ($bill)	*1550*
11.3%	13.2%	11.8%	10.9%	8.7%	9.7%	11.0%	10.1%	8.8%	*10.0%*	*10.5%*		% Earned Total Cap'l (E)	*11.0%*
14.2%	16.7%	14.6%	13.5%	10.2%	11.5%	13.4%	12.3%	10.8%	*13.0%*	*13.5%*		% Earned Net Worth	*15.0%*
9.0%	11.5%	9.4%	8.3%	5.0%	6.4%	8.2%	7.0%	5.4%	*8.0%*	*8.5%*		% Retained to Comm Eq (F)	*9.5%*
39%	34%	38%	40%	53%	46%	41%	45%	52%	*42%*	*40%*		% All Div'ds to Net Prof	*42%*

CURRENT POSITION ($ bill.)	Fiscal 1984	Fiscal 1985	Fiscal 1986(A)
Cash Assets	140.2	149.2	172.9
Receivables	301.1	334.1	344.3
Inventory (G)	277.4	290.7	293.1
Other	68.3	96.9	108.6
Current Assets	787.0	870.9	918.9
Accts Payable	210.6	237.7	231.0
Debt Due	91.7	106.8	124.3
Other	223.8	264.2	291.4
Current Liab.	526.1	608.7	646.7

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '84-'86 to '90-'92
Sales	8.0%	4.5%	*7.0%*
"Cash Flow"	8.5%	5.0%	*10.5%*
Earnings	6.5%	1.0%	*15.0%*
Dividends	8.5%	5.0%	*12.5%*
Book Value	7.5%	5.5%	*10.0%*

Fiscal Year Begins	QUARTERLY SALES ($bill.) (A) 1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Fiscal Year
1984	553.2	576.4	567.7	607.6	2304.9
1985	580.8	600.8	594.3	653.3	2429.2
1986	583.7	595.9	579.6	639.8	2399.0
1987	615p	*635*	*625*	*675*	*2550*
1988	*660*	*685*	*675*	*730*	*2750*

Fiscal Year Begins	EARNINGS PER SHARE (A) (B) 1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Fiscal Year
1984	.52	.71	.62	.58	2.43
1985	.53	.67	.56	.54	2.30
1986	.47	.61	.61	.46	2.15
1987	.55p	*.70*	*.80*	*.80*	*2.85*
1988	*.70*	*.85*	*.85*	*.80*	*3.20*

Calendar	QUARTERLY DIVIDENDS PAID Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.221	.229	.211	.246	.91
1984	.246	.252	.242	.25	.99
1985	.263	.271	.259	.264	1.06
1986	.269	.284	.258	.268	1.08
1987	.28p	.29p			

EXPLANATION: The Industrial Composite consists of over 900 industrial, retail and transportation companies (except rails). These companies account for about 80% of the income earned by all U.S. nonfinancial corporations. The figures shown in the statistical array differ from those reported by the Commerce Department in the national income accounts because they (a) are based on stockholder accounting techniques rather than Internal Revenue Service bookkeeping methods and (b) include the reported results of just the larger companies. Financial data and stock market values for these 900 companies have been pooled, as if they belonged to one giant company. Per-share figures are computed on the basis of the total number of shares outstanding for all the companies at yearend. Forecasts for the Industrial Composite have been published in *Selection & Opinion* since July 11, 1975.

(A) Company fiscal years end between May 1st of year shown and April 30th of following year. Fiscal years for about 80% of companies end Dec. 31st. (B) Based on yearend shares outstanding. Excl. losses from discontinued operations: '82, 4¢; '83, 7¢; '84, 8¢; '85, 10¢; '86, Nil. Excl. net nonrecurring losses: '82, 3¢; '83, 5¢; '84, 3¢; '85, 24¢; '86, 31¢. (C) Incl. intangibles assets. In '86: $97.1 bill., $2.23 sh. (D) In billions. (E) Net profit plus ½ long-term interest paid, divided by long-term debt plus net worth including intangibles. (F) Earnings retained divided by common equity. (G) About two-thirds LIFO. p: preliminary.

KENNER PARKER TOYS KPT | RECENT PRICE **46** | P/E RATIO **19.6** (Median: NMF) | RELATIVE P/E RATIO **1.22** | YLD **0.9%** | VALUE LINE

	1985	1986	1987
High	18.6	24.0	45.0
Low	13.9	15.1	18.5

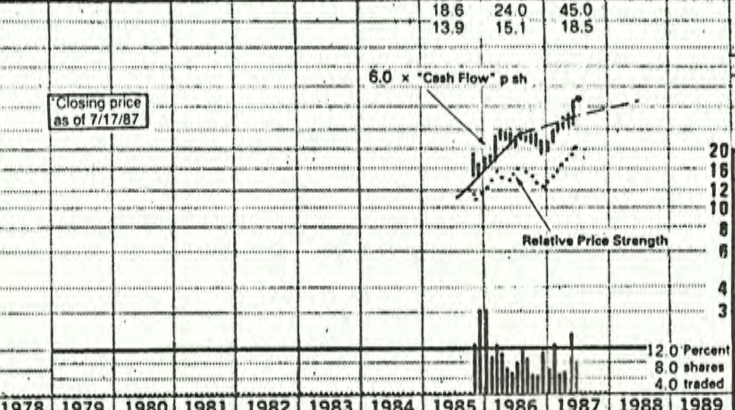
Insider Decisions 1986

	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
to Buy	1	0	2	0	2	1	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q'86	2Q'86	3Q'86	4Q'86	1Q'87
to Buy	43	16	16	12	23
to Sell	64	65	47	39	24
Hld's (000)	9319	8544	8491	7637	7830

Closing price as of 7/17/87



July 24, 1987 — Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) —

SAFETY (Scale: 1 Highest to 5 Lowest) **3** Average

BETA NMF (1.00 = Market)

1990-92 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+60%)	14%
Low	45	(+30%)	9%

Kenner Parker Toys Inc. was a wholly-owned subsidiary of General Mills until November 1985. The company consists of Kenner Products and Parker Brothers. Kenner has been in operation for 37 years and was acquired by General Mills in 1967. Parker Brothers was founded by George Parker in 1883 and was acquired by General Mills in 1968. In 1985, General Mills decided to discontinue its investment in the toy business by distributing all of the outstanding Kenner Parker Common Stock to General Mills stockholders. In November, 1985 General Mills distributed 0.3 shares of Kenner Parker shares for each share of General Mills held. The shares began trading on the NYSE on a when-issued basis November 1, 1985.

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	© VALUE LINE, INC.	90-92E
..	..	..	..	..	40.21	48.33	47.60	43.14	47.15	48.10		Sales per sh (A)	65.00
..	..	..	..	..	3.69	4.33	1.84	3.73	5.00	5.55		"Cash Flow" per sh	7.00
..	..	..	..	..	2.37	1.60	d.50	1.22	2.35	2.90		Earnings per sh (B)	3.90
..	..	..	..	..	..	..	..	..	.32	.35		Div'ds Decl'd per sh (C)	.45
..	..	..	..	..	1.94	2.34	2.42	1.34	1.40	1.50		Cap'l Spending per sh	2.00
..	..	..	..	..	..	25.71	17.59	17.14	20.75	23.60		Book Value per sh	33.50
..	..	..	..	..	13.41	13.41	13.41	11.65	10.60	10.60		Common Shs Outst'g (D)	10.00
..	..	..	..	..	..	..	..	16.8	Bold figures are Value Line estimates			Avg Ann'l P/E Ratio	13.0
..	..	..	..	..	..	..	..	1.14				Relative P/E Ratio	1.05
..	..	..	..	..	..	..	..	..				Avg Ann'l Div'd Yield	.9%
..	..	..	..	..	539.3	648.1	638.3	502.8	500	510		Sales ($mill) (A)	650
..	..	..	..	..	12.0%	13.9%	4.6%	13.5%	16.0%	16.0%		Operating Margin	16.0%
..	..	..	..	..	17.8	19.3	26.2	27.4	27.0	28.0		Depreciation ($mill)	30.0
..	..	..	..	..	31.7	38.7	d6.7	16.0	26.0	31.0		Net Profit ($mill)	39.0
..	..	..	..	..	34.3%	43.5%	..	52.0%	50.0%	42.0%		Income Tax Rate	42.0%
..	..	..	..	..	5.9%	6.0%	NMF	3.2%	5.2%	6.1%		Net Profit Margin	6.0%
..	..	..	..	..	..	225.6	265.4	211.0	235	245		Working Cap'l ($mill)	275
..	..	..	..	..	..	9.8	151.8	99.6	95.0	90.0		Long-Term Debt ($mill)	75.0
..	..	..	..	..	..	344.7	235.9	199.7	220	250		Net Worth ($mill)	335
..	..	..	..	..	..	11.3%	1.0%	7.8%	8.5%	9.0%		% Earned Total Cap'l	7.5%
..	..	..	..	..	..	11.2%	NMF	8.0%	12.0%	12.5%		% Earned Net Worth	11.5%
..	..	..	..	..	..	11.2%	NMF	8.0%	10.0%	11.0%		% Retained to Comm Eq	[illegible]
..	..	..	..	..	..	..	..	..	14%	12%		% All Div'ds to Net Prof	[illegible]

CAPITAL STRUCTURE as of 3/29/87
Total Debt $101.6 mill. Due in 5 Yrs $17.5 mill.
LT Debt $99.9 mill. LT Interest $14.3 mill.
Incl. $20.0 mill. 10⅜% conv. deb ('93), cv. into 1.1 mill. shares at $17.86.
(LT interest earned: 4.5x; total interest coverage: 2.8x) (33% of Cap'l)
Leases, Uncapitalized Annual rentals $6.7 mill.
Pension Liability None in '86 vs. None in '85
Pfd Stock None.

Common Stock 11,584,526 shs. (67% of Cap'l) as of 4/15/87

CURRENT POSITION ($MILL.)	1984	1985	3/29/87
Cash Assets	5.9	3.0	187.6
Receivables	227.3	244.5	91.0
Inventory(FIFO)	112.7	121.3	36.8
Other	53.2	5.3	13.7
Current Assets	399.1	374.1	329.1
Accts Payable	82.1	81.9	24.9
Debt Due	42.6	--	1.7
Other	48.8	26.8	82.4
Current Liab.	173.5	108.7	109.0

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '84-'86 to '90-'92
Sales	—	—	6.0%
"Cash Flow"	—	—	14.0%
Earnings	—	—	31.0%
Dividends	—	—	NMF
Book Value	—	—	9.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) (A) Aug. 31	Nov. 30	Feb. 28	May 31	Full Fiscal Year (E)
1985	187.8	226.5	94.5	129.5	638.3
	Mar. 31	June 30	Sept. 30	Dec. 31	
1986	101.0	124.4	160.5	116.9	502.8
1987	91.6	118.1	170	120.3	500
1988	92.0	118	175	125	510

Fiscal Year Ends	EARNINGS PER SHARE (A) (B) Aug. 31	Nov. 30	Feb. 28	May 31	Full Fiscal Year (E)
1985	--	--	--	--	d.50
	Mar. 31	June 30	Sept. 30	Dec. 31	
1986	.05	.23	.88	.06	1.22
1987	.24	.58	1.40	.13	2.35
1988	.30	.60	1.80	.20	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983					
1984	INITIAL DIVIDEND PAID 3/20/87				
1985					
1986					
1987	.08	.08			

BUSINESS: Kenner Parker Toys Inc. is one of the largest designers, manufacturers and marketers of toys and games. Domestically, the company consists of Kenner Products in traditional toys and Parker Brothers in games, books and records. International operations account for approximately 29% of sales. Kenner sells more than 175 products and is located in Cincinnati, Ohio. Parker Brothers is known for its family board game products and is located in Boston, Massachusetts. 1986 deprec. rate: 12%. Est'd plant age: 4 yrs. Has 5,850 empls. Insiders own less than 1% of the common stock. President & C.E.O.: Ronald J. Jackson. Incorporated: Delaware. Address: 50 Dunham Road, Beverly, MA 01915. Tel.: 617-927-7600.

Kenner Parker has received a merger proposal from New World Pictures. As we went to press, New World offered to acquire all of the toy maker's outstanding shares for $41.00 each. New World indicated that it is interested in obtaining a mutually acceptable acquisition agreement, which would likely be necessary as a result of anti-takeover common stock purchase rights adopted by Kenner Parker last year. The all-cash offer will remain on the table at least until July 24th.

We think most investors would do well to lock in at least a portion of their profits by selling their shares in the open market. At 14 times our estimate of '88 share net the bid seems adequate. Moreover, since KP only recently was spun-off from General Mills, we think management will resist a merger. And given the stock prices recent climb, we believe there's considerable downside risk should a deal not be consummated. Speculators, however, probably should opt to sit tight and await further developments: the stock is trading well above the offer price and we wouldn't be surprised if the bidding went another round or two.

Meanwhile, the bottom line is continuing to improve. Over the past two years, Kenner Parker has significantly reduced overhead costs by reducing the headcount, consolidating manufacturing, closing factories, and sourcing toys overseas where labor costs are lower. Benefits from these efforts for a full 12 months will likely lift operating margins in 1987. So, although shipments of new products may only offset a 30% decline in volume of *M.A.S.K.* action figures (which represented about 20% of '86 volume), margin improvement and about 16% fewer shares outstanding (thanks to a share repurchase program) should help share net soar to $2.35 this year. Assuming the company has a popular new line of toys next year, we think revenues may start to head upwards in 1988. That, and a substantially lower tax rate since excess foreign losses will be used up, should lift earnings another 23% in 1988. (Due to the short trading history, we do not assign a rank to these shares.) *Mary C. Sunderland/M. McKel'*

(A) Fiscal year ends the last Sunday in May prior to 1986. (B) Based on average shares and equivalents outstanding. Next earnings report due late Oct. Seven months egs. (loss)/sh.: '85, ($4.35). (C) Initiated quarterly dividend of 8¢/sh., 3/20. Next dividend meeting about Aug. 20. Goes ex about Sept. 5. Dividend payment dates: Mar. 20, June 21, Sept. 18, Dec. 20. (D) In millions, adjusted for stock splits. (E) Pro Forma in 1985. (F) Quarterly data not available due to change in fiscal year.

Company's Financial Strength	C+
Stock's Price Stability	NMF
Price Growth Persistence	NMF
Earnings Predictability	NMF

'86 only full year traded

*Kenner Parker Toy

Co Ave		Price / Book Industrial Ave
1986	$\frac{19.55}{17.14} = 1.14\%$	1986 1.77 %

Co traded at 64% of Industr Ave

Co % earned on total Capital	Ind. Ave
1986' 7.8%	'86' 8.8 %

89% of Industrials

Co % earned on Net Worth	Indust. Ave
'86' 8%	'86' 10.8

74% of Ave

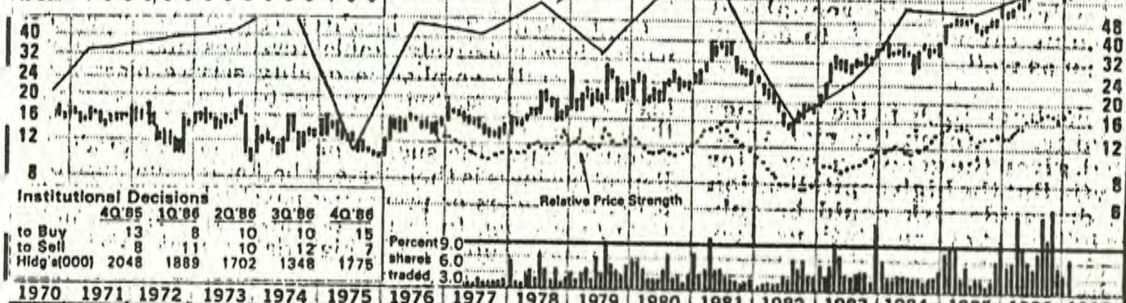
$\frac{\text{T.O. Price}}{\text{Book Value}} \quad \frac{45}{23.6} = 191\%$

CYCLOPS CORP. NYSE-CYL | PRICE 92 | P/E RATIO 10.3 (Median: [illegible]) | RELATIVE P/E RATIO 0.62 | DIV'D YLD 1.3% | VALUE LINE | 2113

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
High		18.3	18.0	19.0	16.4	16.6	16.9	19.0	22.3	29.9	28.3	39.0	27.1	36.5	39.4	60.8	78.0
Low		14.0	10.5	9.5	10.4	10.2	10.4	12.5	13.2	17.5	18.8	24.3	13.6	19.0	27.5	38.8	51.4

Insider Decisions

	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
					1986										
to Buy	0	0	0	0	0	0	2	1	0	0	0	0	0	0	0
to Sell	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0



Institutional Decisions

	4Q'85	1Q'86	2Q'86	3Q'86	4Q'86
to Buy	13	8	10	10	15
to Sell	8	11	10	12	7
Hldg's(000)	2048	1889	1702	1348	1775

March 20, 1987 Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) —

SAFETY 3 Average (Scale: 1 Highest to 5 Lowest)

BETA .75 (1.00 = Market)

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	150	(+ 65%)	14%
Low	100	(+ 10%)	4%

1970	1971	1972	1973	1974	1975	1976	1977	1978	© VALUE LINE, INC.
78.74	110.76	134.53	168.51	209.66	155.25	179.05	206.30	237.28	Sales per sh (A)
3.32	5.71	6.24	6.70	10.33	1.95	7.62	6.80	9.92	"Cash Flow" per sh
.31	1.15	2.15	2.44	5.96	d2.53	3.27	2.46	5.75	Earnings per sh (B)
1.27	.67	.67	.67	1.53	.80	.80	.87	1.15	Div'ds Decl'd per sh (C)
4.05	6.52	5.11	3.98	6.40	4.92	4.75	7.15	6.69	Cap'l Spending per sh
34.06	34.53	35.53	37.27	41.51	38.18	40.35	42.24	45.56	Book Value per sh
3.06	3.06	3.08	3.09	3.11	3.11	3.16	3.15	3.28	Common Shs Outst'g (D)
57.0	13.9	6.5	6.1	2.1	--	4.5	6.2	3.0	Avg Ann'l P/E Ratio
4.09	.89	.45	.60	.29	--	.58	.81	.41	Relative P/E Ratio
7.1%	4.2%	4.8%	4.5%	12.0%	6.4%	5.5%	5.7%	6.6%	Avg Ann'l Div'd Yield

1979	1980	1981	1982	1983	1984	1985	1986	1987	© VALUE LINE, INC.	89-91E
290.13	303.13	300.86	253.37	286.56	335.05	355.43	354.90	375.60	Sales per sh (A)	458.80
5.85	10.88	11.03	2.85	4.29	9.45	9.27	12.55	14.15	"Cash Flow" per sh	19.05
1.35	6.14	6.21	d2.92	d.72	4.82	4.76	8.10	9.00	Earnings per sh (B)	12.50
1.23	1.26	1.30	1.10	1.10	1.10	1.10	1.10	1.20	Div'ds Decl'd per sh (C)	1.50
7.65	7.24	5.73	5.64	5.94	6.56	5.92	8.00	8.55	Cap'l Spending per sh	9.40
46.59	50.92	54.26	49.41	46.77	49.67	54.58	57.50	64.65	Book Value per sh	90.60
3.16	3.23	3.43	3.45	3.57	3.80	3.90	4.06	4.10	Common Shs Outst'g (D)	4.25
15.9	3.8	5.0	--	--	7.3	10.1	8.16		Avg Ann'l P/E Ratio	10.0
2.30	.50	.61	--	--	.68	.82	.55		Relative P/E Ratio	.85
5.7%	5.4%	4.2%	5.8%	3.7%	3.1%	2.3%	1.7%		Avg Ann'l Div'd Yield	1.2%

CAPITAL STRUCTURE as of 9/30/86
Total Debt $90.8 mill. Due in 5 Yrs $38.4 mill.
LT Debt $55.8 mill. LT Interest $7.0 mill.
Incl. $3.3 mill. capitalized leases.
(LT interest earned: 6.1x; total interest coverage: 5.8x) (20% of Cap'l)
Leases, Uncapitalized Annual rentals $16.4 mill.

Pension Liability $32.0 mill. in '85 vs. $44.0 mill. in '84.

Pfd Stock None

Common Stock 4,057,867 shs. (80% of Cap'l)

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987		89-91E
565.2	650.4	779.3	915.4	979.0	1031.4	873.2	1024.1	1271.6	1385.7	1440.9	1540	Sales ($mill) (A)	1950
6.0%	4.6%	7.0%	6.7%	6.8%	6.4%	.4%	1.9%	4.6%	5.3%	5.3%	5.5%	Operating Margin	6.0%
13.7	13.5	13.7	14.1	15.5	17.0	17.9	17.9	17.7	17.5	18.1	21.0	Depreciation ($mill)	28.0
11.4	9.0	19.9	5.3	20.4	21.4	d7.6	d2.2	18.4	18.9	32.8	37.0	Net Profit ($mill)	53.0
38.4%	28.4%	45.6%	--	45.0%	44.2%	--	--	38.5%	59.2%	42.5%	41.0%	Income Tax Rate	37.0%
2.0%	1.4%	2.6%	.6%	2.1%	2.1%	NMF	NMF	1.5%	1.4%	2.3%	2.4%	Net Profit Margin	2.7%
87.5	85.2	98.1	123.6	130.8	137.2	123.0	142.2	179.2	147.7	164.2	180	Working Cap'l ($mill)	265
38.2	39.6	40.1	62.4	77.8	59.0	64.3	92.6	98.8	46.9	55.6	55.0	Long-Term Debt ($mill)	55.0
146.1	151.7	167.2	160.8	176.8	194.5	178.3	172.7	193.8	216.5	233.5	265	Net Worth ($mill)	385
7.0%	5.5%	10.4%	3.8%	10.4%	10.4%	NMF	.7%	8.1%	8.9%	12.0%	12.0%	% Earned Total Cap'l	12.5%
7.8%	5.9%	11.9%	3.3%	11.5%	11.0%	NMF	NMF	9.5%	8.7%	14.0%	14.0%	% Earned Net Worth	14.0%
6.2%	3.9%	10.1%	.3%	9.5%	8.8%	NMF	NMF	7.4%	6.8%	12.1%	12.0%	% Retained to Comm Eq	12.0%
31%	42%	24%	92%	23%	23%	NMF	NMF	24%	24%	14%	13%	% All Div'ds to Net Prof	12%

CURRENT POSITION ($MILL.)	1984	1985	9/30/86
Cash Assets	1.4		
Receivables	147.1	137.7	160.1
Inventory(LIFO)	190.5	217.7	223.9
Other	13.9	6.8	9.0
Current Assets	352.9	362.2	393.0
Accts Payable	71.2	85.3	84.2
Debt Due	4.1	21.4	35.0
Other	98.4	107.8	114.0
Current Liab.	173.7	214.5	233.2

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '83-'85 to '89-'91
Sales	6.0%	3.5%	6.0%
"Cash Flow"	2.0%	-3.0%	16.5%
Earnings	4.5%	-7.5%	27.0%
Dividends	1.0%	-2.0%	5.5%
Book Value	2.5%	1.0%	10.5%

Calendar	QUARTERLY SALES ($ mill.) (A) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	223.1	243.2	259.6	298.2	1024.1
1984	291.6	317.1	302.5	360.4	1271.6
1985	320.5	338.4	334.5	392.3	1385.7
1986	337.5	340.0	344.2	419.2	1440.9
1987	360	365	350	465	1540

Calendar	EARNINGS PER SHARE (B) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	d.75	d.15	d.63	.81	d.72
1984	.63	1.45	1.09	1.65	4.82
1985	.82	84	1.10	2.00	4.76
1986	1.53	1.29	1.57	3.71	8.10
1987	1.80	1.70	1.65	3.85	9.00

Calendar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.55	.275	.275	--	1.10
1984	.55	.275	.275	--	1.10
1985	.55	.275	.275	--	1.10
1986	.55	.275	.275	--	1.10
1987	.275				

BUSINESS: Cyclops Corp. produces a wide variety of carbon and specialty steels through 6 divs.: Detroit Strip, Empire-Detroit Steel, Sawhill Tubular, Tex-Tube, Coshocton Stainless, and Cytemp Specialty Steel; fabricates & erects metal walls (Elwin Smith and Flour City Architectural Metals); operates 11 Busy Beaver home improvement centers, 111 Silo appliance stores. Markets: construction, 13%; service centers, 13%; auto, 13%; retailing, 37%; other, 24%. Labor costs: 22% of sales. '85 deprec. rate: 3.8%. Est'd plant age: 17 yrs. Has 8,890 empls., 3,150 shrhldrs. Directors own 4.8% of com. Pres.: William H. Knoell. Inc.: PA. Address: 650 Washington Road, Pittsburgh, PA 15228. Tel.: 412-343-4000.

A bidding war for control of Cyclops has broken out. It began with an $80-a-share tender offer from Cyacq Corp., a joint venture of Audio/Video Affiliates and Citicorp Capital Investors. Subsequently, Cyclops' management found a "white knight" in Dixons Group, PLC of England. Dixons' offer to acquire the company at $90.25 a share was approved by Cyclops' board, and Cyclops shareholders received an all-cash offer (currently scheduled to expire March 17th) to tender their shares. But just as we went to press, Cyacq upped the ante to $92.50 a share, conditional on Cyclops' management supplying Cyacq with the same non-public information that it has already given to Dixons. Cyclops' management now says that Cyacq's latest press release does not constitute an offer and refuses to release any information.

We value Cyclops at more than the most recent offer. The shares still sell at much lower P/E than the average equity. The median P/E of the Value Line universe – the market multiple – is now 16.9. Cyclops' current multiple would be justified, we think, if it were only a specialty steel manufacturer. But, we estimate that steel operations accounted for only about 60% of sales and operating profits last year. The rest came from the fast growing specialty retailing segment. Publicly-held companies similar to Cyclops' retail division sell for at least a market multiple. Cyclops' parts, if separated, would be worth about 12 times our earnings estimate of $9 a share, or, between $105 and $110 a share, by our estimate.

And the market seems to agree. The stock was selling at a premium to Dixons' offer, which suggests that investors were anticipating that a higher bid would emerge. Cyacq's new bid followed, but afterward the shares again traded at a premium, suggesting that yet another bid might surface.

Nevertheless, we advise conservative investors to sell at least part of their holdings. This stock has advanced almost 40% in the past three months, and even if a higher offer materializes, the bulk of the gains on this stock are probably long past. Aggressive investors, betting on yet another bid, may want to keep their shares, however. Cyclops' Timeliness rank, which has been suspended due to the takeover activity, would otherwise have been 2 (Above Average).

Jay Hains/Richard T. Anderson

(A) Incl. Silo Inc. from '80; Flour City Architectural Metals from '83. (B) Primary earnings. Incl. loss from disc. ops.: '75, $5.36; '79, $5.70. Excl. spec. charge: '83, 68¢. Excl. gain on accounting change: '85, $1.44. Excl. extraord. gain: '85, 46¢. Next earnings report due late Apr. Est'd current cost egs./sh.: '85, def. $1.16. (C) Next div'd meet'g about June 5. Goes ex about June 10. Div'd paym't dates: Jan. 2, Mar. 31, June 30, Sept. 30. (D) In millions.

Company's Financial Strength	B+
Stock's Price Stability	75
Price Growth Persistence	70
Earnings Predictability	5

Cyclop

% Earned on Net Worth

Co:		Ind	
78	11.9	78	14.2 %
79	3.3	79	16.7
80	11.5	80	14.6
81	11	81	13.5
82	NMF	82	10.2
83	NMF	83	11.5
84	9.5	84	13.4
85	8.7	85	12.3
86	14.0	86	10.8
Ave.	7.77	Ave.	13.02 %

Only 1/9 out Per

60% of Aver 1/9

T.O. Price $78 / Book Value 64.45 = 1.21%

Paid 1.21% of Book Ave ratio .60%

Institutional Owned 44%

Industry Building

Cyclop Price/Book Value 10 yrs

Co. Industry Ave

77	15.75 / 42.24	= .37	
78	17.75 / 45.56	= .39	See Compac Report
79	23.7 / 46.54	= .51	
80	23.55 / 50.92	= .46	
81	31.65 / 54.26	= .58	
82	20.35 / 49.41	= .41	
83	27.75 / 46.77	= .59	
84	33.45 / 49.67	= .67	
85	49.5 / 54.59	= .91	
86	64.5 / 57.50	= 1.12	
Co Ave.		.60	1.34

9 Years

Never above.
45% of Industry ave

Cyclops Earned on T. Cap. Ind ave

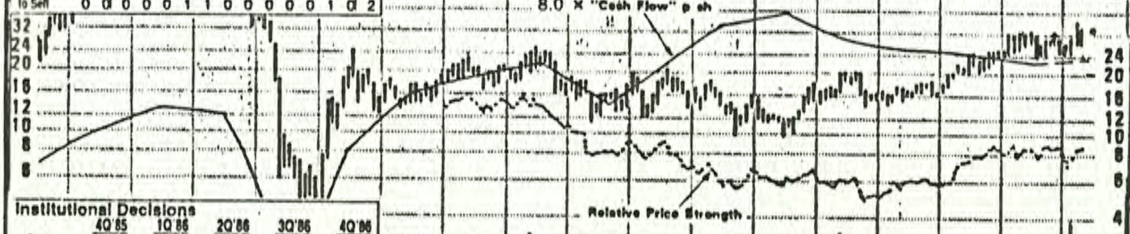
78	10.4	11.3
79	3.8	13.2
80	10.4	11.8
81	10.4	10.9
82	NMF	8.7
83	.7	9.7
84	8.1	11.0
85	8.9	10.1
86	12	8.8
Ave.	7.19	10.61

68%
1/9 ouYR.

High	59.9	84.5	68.8	44.0	25.5	19.6	23.6	26.6	19.5	21.1	18.5	18.3	20.5	18.9	26.5	32.6	37.6	1988	1989	1990	1991
Low	32.8	54.3	32.4	3.9	4.6	13.1	16.4	15.4	11.4	12.0	9.9	9.8	13.8	14.0	16.3	24.6	25.5				

Insider Decisions 1986

	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
to Buy	0	1	0	0	1	0	1	0	0	0	0	0	1	0	2
to Sell	0	0	0	0	0	1	1	0	0	0	0	0	1	0	2



Institutional Decisions

	4Q'85	1Q'86	2Q'86	3Q'86	4Q'86
to Buy	13	15	15	14	13
to Sell	3	6	6	10	11
Hld's (000)	2863	3272	3315	3469	3974

Percent shares traded 15.0 10.0 5.0

May 22, 1987	Value Line
TIMELINESS (Relative Price Performance Next 12 Mos.)	3 Average
SAFETY (Scale: 1 Highest to 5 Lowest)	3 Average
BETA 1.05 (1.00 = Market)	

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+50%)	12%
Low	35	(− 5%)	3%

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	© VALUE LINE, INC.	89-91E
22.39	25.33	32.26	33.69	39.09	53.10	54.69	55.54	58.43	66.08	79.96	96.90	91.90	78.50	81.00	77.58	60.49	62.90	Sales per sh (A)	82.70
.92	1.22	1.64	1.49	d.30	1.03	1.97	2.43	2.78	1.91	2.97	4.40	4.88	3.63	3.22	3.05	2.90	2.90	"Cash Flow" per sh	4.30
.76	.96	1.28	1.10	d.77	.56	1.48	1.92	2.15	1.13	1.66	2.21	2.22	.55	.73	1.84	2.15	2.15	Earnings per sh (B)	3.40
.08	.08	.08	.08	.08	.08	.08	.10	.16	.24	.32	.32	.32	.32	.32	.32	.32	.32	Div'ds Decl'd per sh (C)	.40
.44	.52	.89	.54	.70	.70	.63	.49	1.52	2.61	4.85	4.27	5.22	1.34	.67	.67	.64	3.05	Cap'l Spending per sh	1.00
8.06	9.94	11.61	12.97	12.05	12.53	13.93	15.74	17.49	18.31	19.25	21.16	23.16	23.34	23.84	18.80	20.09	21.95	Book Value per sh (D)	29.30
3.55	4.05	4.12	4.16	4.21	4.21	4.23	4.26	4.35	4.38	4.75	4.80	4.89	4.92	4.95	5.06	6.55	6.60	Common Shs Outst'g (E)	6.65
NMF	NMF	NMF	NMF	--	24.0	10.3	10.1	9.9	13.6	9.8	6.7	5.6	30.9	NMF	11.2	13.0		Avg Ann'l P/E Ratio	12.5
NMF	NMF	NMF	NMF	--	3.20	1.32	1.32	1.35	1.97	1.30	.81	.62	2.61	NMF	.90	.87		Relative P/E Ratio	1.05
.2%	.2%	.1%	1%	.4%	.6%	.5%	.5%	.8%	1.6%	2.0%	2.2%	2.6%	1.9%	2.0%	1.6%	1.1%		Avg Ann'l Div'd Yield	.9%
						231.1	236.8	254.0	289.6	379.6	465.3	449.1	386.2	400.9	392.5	396.2	415	Sales ($mill) (A)	550
						6.6%	7.9%	7.6%	3.5%	6.2%	8.5%	8.1%	5.0%	5.5%	6.2%	5.9%	6.0%	Operating Margin	7.5%
						2.1	2.2	2.7	3.4	6.6	9.5	10.7	15.2	12.6	4.7	4.7	5.0	Depreciation ($mill)	5.5
						6.3	8.1	9.3	4.9	7.5	11.6	13.1	2.7	3.4	10.7	14.2	14.0	Net Profit ($mill)	23.0
						52.8%	51.4%	50.0%	36.5%	39.8%	40.6%	39.0%	37.1%	54.0%	46.8%	29.2%	35.0%	Income Tax Rate	36.0%
						2.7%	3.4%	3.7%	1.7%	2.0%	2.5%	2.9%	.7%	.8%	2.7%	3.6%	3.4%	Net Profit Margin	4.2%
						34.7	42.7	44.5	36.8	26.6	49.2	36.4	48.1	62.4	77.4	90.3	90.0	Working Cap'l ($mill)	145
						4.1	4.0	6.8	12.1	25.7	46.0	34.5	34.2	33.8	32.7	9.1	9.0	Long-Term Debt ($mill)	15.0
						58.9	67.1	76.0	80.3	91.4	101.6	113.2	114.8	118.0	95.1	131.6	145	Net Worth ($mill)	195
						10.5%	11.7%	11.5%	5.7%	7.3%	9.6%	10.6%	3.5%	3.3%	9.7%	10.6%	9.5%	% Earned Total Cap'l	11.5%
						10.6%	12.1%	12.3%	6.1%	8.2%	11.4%	11.6%	2.4%	2.9%	11.3%	10.8%	9.5%	% Earned Net Worth	12.0%
						10.1%	11.5%	11.4%	4.8%	6.6%	9.9%	10.2%	1.0%	1.5%	9.6%	9.2%	8.0%	% Retained to Comm Eq	10.5%
						5%	5%	7%	21%	19%	13%	12%	59%	47%	15%	15%	15%	% All Div'ds to Net Prof	12%

CAPITAL STRUCTURE as of 1/31/87
Total Debt $11.5 mill. Due in 5 Yrs $2.0 mill.
LT Debt $9.1 mill. LT Interest $.8 mill.
Incl. $3.3 mill. capitalized leases.
(6% of Cap'l)

Leases, Uncapitalized Annual rentals $9.5 mill.

Pfd Stock None

Common Stock 6,466,865 shs. (94% of Cap'l)

CURRENT POSITION ($MILL.)	1985	1986	1/31/87
Cash Assets	78.9	74.7	74.9
Receivables	68.7	79.1	67.6
Inventory(FIFO)	18.4	18.0	17.9
Other	66.9	73.1	80.8
Current Assets	232.9	244.9	241.2
Accts Payable	58.5	51.9	48.2
Debt Due	1.8	2.3	2.4
Other	95.2	100.4	101.1
Current Liab.	155.5	154.6	151.7

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '84-'86 to '89-'91
Sales	4.0%	−2.0%	2.5%
"Cash Flow"	13.0%	−.5%	7.0%
Earnings	14.0%	−1.0%	16.5%
Dividends	15.0%	2.0%	4.5%
Book Value	5.0%	1.5%	7.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) (A) Jan. 31	Apr. 30	July 31	Oct. 31	Full Fiscal Year
1983	85.1	98.2	101.5	101.4	386.2
1984	72.9	96.9	118.1	113.0	400.9
1985	95.8	90.2	102.2	104.3	392.5
1986	95.9	93.2	93.8	113.3	396.2
1987	87.8	105.2	107	115	415

Fiscal Year Ends	EARNINGS PER SHARE (A) Jan. 31	Apr. 30	July 31	Oct. 31 (B)	Full Fiscal Year
1983	.46	.20	d.30	.19	.55
1984	.07	.17	.16	.33	.73
1985	.43	.38	.52	.51	1.84
1986	.52	.47	.59	.57	2.15
1987	.49	.53	.55	.58	2.15

Cal-endar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.08	.08	.08	.08	.32
1984	.08	.08	.08	.08	.32
1985	.08	.08	.08	.08	.32
1986	.08	.08	.08	.08	.32
1987	.08				

BUSINESS: Research-Cottrell, Inc. is an engineering/construction and project development company providing financing, program management, design, construction, and operations and maintenance to the infrastructure, resource recovery, hazardous waste, contract operations and environmental management markets. Discontinued petroleum svcs. in 1985, Year-end backlog: 1986, $450 mill. 1985, $444 mill.; Empls. 2,150. Has 3,390 stkhldrs. '86 deprec. rate: 8.5%. Est. plant age: 7 years. Directors control 19% of stock; FMR Corp. and Fidelity Int'l. Ltd., 5%. Chrmn. & C.E.O.: P.J. Gianacakes. Inc.: New Jersey. Address: P.O. Box 1500, Somerville, NJ 08876. Tel.: 201-685-4000.

Research-Cottrell's share earnings for 1987 are likely to be flat vs. last year. The first-quarter weakness of sales and earnings already reflects declining trends in R-C's pollution control business. Lower interest income and a higher tax rate will likely also be negative factors for the full year. The company expects to purchase the sludge composting plant it constructed for Baltimore and so benefit from grandfathered ITC provisions, but not to the same extent as last year's take on its Auburn facility. On the basis of earnings momentum, we think this equity will only keep pace with the market. **The good news is that the backlog at the end of the first quarter was up 22% from year-end 1986, with 72% of the period's orders coming from the company's new markets.** Since 1983, R-C has been repositioning itself to serve new growth opportunities stemming from two basic fundamental trends. First, the nation's infrastructure is in need of overhaul, upgrade, and expansion, especially as concerns wastewater treatment and waste management facilities, both R-C specialties. Second, the government at all levels has been turning more and more to the private sector for a whole range of engineering services, from the full privatization of municipal waste facilities (where the company constructs, owns and operates the plant as a wholesaler under long-term contract) to program management and contract operations

R-C stock offers an intriguing combination of upside potential with moderate downside risk. True, the stock's price discounts its 3- to 5-year appreciation potential to about average. But excluded from our estimates is the likelihood of more acquisitions, which R-C, with very low financial leverage and about $11 a share in cash, is well positioned to make. For another, the company is currently involved in a joint venture with the ORFA Corp. involving the commercial development of a new resource recovery technique that is environmentally safe and turns out a marketable cellulose end-product more lucrative than the usual electricity. Ground has already been broken on the plant in Philadelphia, which is expected to be completed by the end of the year. Finaly, if acid rain legislation is tightened up, the company stands to benefit from its well-established position in the market.

L. Nicholas Raphael/Morton L. Siegel

(A) Fiscal year ends Oct. 31st of calendar year. (B) Based on common and common share equivalents outstanding. Excl. nonrecurring gains (losses): '70, 16¢; '71, 3¢; '72, 2¢; '84, 29¢; '85 ($5.06); '86, 8¢. Next earnings report due late May. (C) Next dividend meeting about July 25. Goes ex about Aug. 11. Dividend payment dates: Feb. 28, May 28, Aug. 31, Nov. 28. (D) Incl. intangibles. In '86: $16.8 mill., $2.56/sh. (E) In millions.

Company's Financial Strength	B+
Stock's Price Stability	50
Price Growth Persistence	20
Earnings Predictability	35

4/22/85

Research - Cottrell Price/Book = Ratio

Co.				Ind. Ave
77	20/15.74 =	1.27	77	1.31
78	21/17.49 =	1.2	78	1.20
79	15.45/18.31 =	.84	79	1.18
80	16.55/19.25 =	.86	80	1.28
81	14.2/21.16 =	.67	81	1.22
82	14.05/23.16 =	.61	82	1.16
83	17.15/23.34 =	.73	83	1.41
84	16.45/23.84 =	.69	84	1.38
85	21.4/18.8 =	1.14	85	1.51
86	28.6/20.09 =	1.42	86	1.77
Co	Ave.	.94	Ave	1.34

70% of average, Never Out Per.

Co. % Earned on T. Capital — Ind. Ave

Co. 75% of Ave
3/9 x out P.

	Co.		Ind. Ave
78	11.5%	'78'	11.3%
79	5.7	'79'	13.2
80	7.3	'80'	11.8
81	9.6	'81'	10.9
82	10.6	'82'	8.7
83	3.5	'83'	9.7
84	3.3	'84'	11.0
85	9.7	'85'	10.1
86	10.6	'86	8.8
Co. Ave.	7.98%	Ave.	10.61%

Research Cottrell

Co	% earned on Net Worth	Ind Ave	
78	12.3	78	14.2 %
79	6.1	79	16.7
80	8.2	80	14.6
81	11.4	81	13.5
82	11.6	82	10.2
83	2.4	83	11.5
84	2.9	84	13.4
85	11.3	85	12.3
86	10.8	86	10.8
Co. Ave	8.55		13.02

66% of Ind Ave 1/9 out Perf.

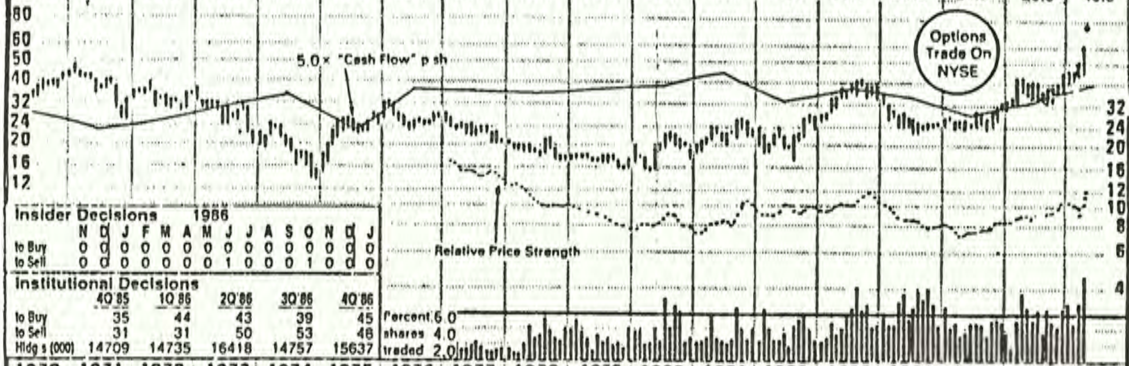
T.O. Price / Book Value $\frac{\$44}{21.95}$ = 2.00% of Book

Ind ave 1.34

1.49 % over industry ave.

BURLINGTON IND. NYSE-BUR | RECENT PRICE | P/E RATIO | (Median:) | P/E RATIO | YLD | % | VALUE LINE

High	49.8	40.0	38.8	26.5	29.8	34.0	30.0	22.4	18.5	23.8	27.5	29.1	43.0	37.0	32.5	45.0	77.0	
Low	27.3	30.0	20.3	13.6	14.9	23.9	20.4	16.8	15.0	14.8	18.1	17.0	26.3	23.0	24.3	29.5	40.8	



	1988	1989	1990	1991

June 5, 1987 — Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) —

SAFETY 3 Average (Scale: 1 Highest to 5 Lowest)

BETA 1.05 (1.00 = Market)

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(−15%)	1%
Low	45	(−40%)	9%

Insider Decisions

	N	D	1986 J	F	M	A	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0

Institutional Decisions

	4Q'85	1Q'86	2Q'86	3Q'86	4Q'86
to Buy	35	44	43	39	45
to Sell	31	31	50	53	48
Hldg's (000)	14709	14735	16418	14757	15637

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Sales per sh (A)	69.16	65.15	67.77	77.02	83.84	69.99	80.60	84.36	86.05
"Cash Flow" per sh	5.67	4.61	5.11	6.35	6.90	4.75	7.30	7.09	6.89
Earnings per sh (B)	2.73	1.52	1.86	3.05	3.65	1.43	3.75	3.18	2.50
Div'ds Decl'd per sh ■(C)	1.40	1.40	1.40	1.40	1.50	1.30	1.25	1.40	1.40
Cap'l Spending per sh	4.46	3.92	4.28	3.61	5.13	3.73	5.63	7.28	7.68
Book Value per sh	28.09	28.31	28.76	30.25	31.91	31.99	34.30	35.50	36.70
Common Shs Outst'g	26.34	26.51	26.80	27.26	27.79	27.98	28.35	28.31	28.14
Avg Ann'l P/E Ratio	13.7	27.9	18.4	10.5	6.1	14.9	7.4	8.0	8.0
Relative P/E Ratio	.98	1.78	1.26	1.04	.85	1.99	.95	1.05	1.09
Avg Ann'l Div'd Yield	3.7%	3.3%	4.1%	4.4%	6.7%	6.1%	4.5%	5.5%	7.0%

© VALUE LINE, INC.	1979	1980	1981	1982	1983	1984	1985	1986	1987	89-91E
Sales per sh (A)	95.09	103.29	115.31	100.85	103.94	111.06	98.03	101.0	*112.75*	*130.00*
"Cash Flow" per sh	7.34	7.94	8.95	6.44	7.63	6.92	5.30	6.83	*7.80*	*10.50*
Earnings per sh (B)	2.73	2.90	4.10	1.85	3.10	2.18	.44	1.71	*2.60*	*5.00*
Div'ds Decl'd per sh ■(C)	1.40	1.40	1.87	1.14	1.52	1.61	1.64	1.64	*1.64*	*1.75*
Cap'l Spending per sh	8.07	7.65	7.69	7.78	5.11	7.52	5.78	4.40	*5.50*	*3.50*
Book Value per sh	38.00	39.52	41.62	40.39	41.62	41.82	40.26	43.03	*44.00*	*49.00*
Common Shs Outst'g	28.15	28.08	28.30	28.52	28.77	28.53	28.58	27.50	*27.50*	*27.00*
Avg Ann'l P/E Ratio	6.4	6.3	5.2	11.9	10.6	13.9	60.3	20.4		*11.0*
Relative P/E Ratio	.93	.84	.63	1.31	.90	1.29	4.89	1.45		*.90*
Avg Ann'l Div'd Yield	8.0%	7.7%	8.8%	5.2%	4.6%	5.3%	6.2%	4.6%		*3.2%*

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	89-91E
Sales ($mill) (A)	22[illegible]4.6	2388.2	2421.2	2676.3	2900.7	3262.9	2876.2	2990.4	3168.8	2802.1	2778.1	*3100*	*3500*
Operating Margin	13.6%	11.8%	11.4%	11.4%	10.5%	9.5%	7.6%	10.3%	7.8%	6.0%	9.3%	*10.0%*	*11.0%*
Depreciation ($mill)	102.1	110.8	123.5	130.5	141.7	138.1	131.3	130.9	134.9	138.9	139.9	*145*	*150*
Net Profit ($mill)	104.9	89.9	70.3	76.2	81.3	115.3	52.5	88.5	62.4	12.6	47.9	*71.5*	*135*
Income Tax Rate	44.7%	37.2%	42.8%	44.3%	42.9%	36.1%	6.4%	38.2%	35.5%	--	46.9%	*38.0%*	*38.0%*
Net Profit Margin	4.6%	3.8%	2.9%	2.9%	2.8%	3.5%	1.8%	3.0%	2.0%	.5%	1.7%	*2.3%*	*3.9%*
Working Cap'l ($mill)	642.0	672.5	653.7	621.6	699.8	692.5	615.7	760.6	703.5	607.8	574.4	*650*	*750*
Long-Term Debt ($mill)	375.5	430.8	445.6	444.6	530.2	479.1	413.5	475.0	433.8	380.5	392.3	*350*	*180*
Net Worth ($mill)	972.2	1005.0	1032.6	1069.5	1109.8	1177.7	1151.9	1197.4	1193.3	1150.8	1183.4	*1210*	*1300*
% Earned Total Cap'l	8.8%	7.3%	5.8%	6.1%	6.2%	8.2%	4.5%	6.6%	5.1%	1.9%	4.0%	*5.5%*	*9.5%*
% Earned Net Worth	10.8%	9.0%	6.8%	7.1%	7.3%	9.8%	4.6%	7.4%	5.2%	1.1%	4.2%	*6.0%*	*10.5%*
% Retained to Comm Eq	7.2%	5.0%	3.0%	3.5%	3.8%	5.3%	1.8%	3.8%	1.4%	NMF	--	*2.0%*	*7.0%*
% All Div'ds to Net Prof	33%	44%	56%	51%	48%	46%	62%	49%	74%	NMF	96%	*54%*	*35%*

CAPITAL STRUCTURE as of 3/28/87
Total Debt $572.2 mill. Due in 5 Yrs $160.0 mill.
LT Debt $400.3 mill. LT Interest $26.0 mill.
Incl. $75.0 mill. 9.0% sub. debs. ('08) conv. into 20.62 com. shs. at $48.50; $16.8 mill. 5% sub. debs. ('91) callable at 103, conv. into 25.64 com. shs. at $39.00. (25% of Cap'l)
Incl. $49.0 mill. capitalized leases.
Leases, Uncapitalized Annual rentals $12.0 mill.
Pension Liability $12.4 mill. in '86 vs. None in '85
Pfd Stock None
Common Stock 27,290,000 shs. (75% of Cap'l) as of 4/29/85

CURRENT POSITION ($MILL.)	1985	1986	3/28/87
Cash Assets	85.3	94.9	114.7
Receivables	477.9	509.6	549.1
Inventory(LIFO)	368.3	327.3	394.6
Other	81.3	55.3	40.6
Current Assets	1012.8	987.1	1099.0
Accts Payable	152.4	175.1	324.7
Debt Due	99.5	76.3	171.9
Other	153.1	161.3	4.6
Current Liab.	405.0	412.7	501.2

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '84-'86 to '89-'91
Sales	3.0%	2.0%	*3.5%*
"Cash Flow"	1.0%	-2.0%	*9.0%*
Earnings	-3.5%	-7.0%	*20.0%*
Dividends	1.5%	2.5%	*2.0%*
Book Value	3.0%	1.5%	*3.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) (A) Dec. 31	Mar. 31	June 30	Sept. 30	Full Fiscal Year
1983	641.1	737.9	812.8	798.6	2990.4
1984	771.8	834.7	816.2	746.1	3168.8
1985	653.0	709.1	742.6	697.4	2802.1
1986	683.3	679.8	688.1	726.9	2778.1
1987	710.1	786.1	*800*	*803.8*	*3100*

Fiscal Year Ends	EARNINGS PER SHARE (A) Dec. 31	Mar. 31	June 30	Sept. 30	Full Fiscal Year (B)
1983	.20	.70	1.05	1.15	3.10
1984	1.00	1.16	.80	d.78	2.18
1985	.16	.18	.20	d.10	.44
1986	.30	.40	.50	.51	1.71
1987	.37	.71	*.75*	*.77*	*2.60*

Calendar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full ■Year
1983	.38	.38	.38	.38	1.52
1984	.41	.41	.41	.41	1.64
1985	.41	.41	.41	.41	1.64
1986	.41	.41	.41	.41	1.64
1987	41	.41			

BUSINESS: Burlington Industries, Inc., is the largest and most diversified domestic manufacturer of textiles and related products for apparel (60% of sales), home furnishings (29% of sales), and industrial use (11% of sales). The company operates 71 plants in U.S. and 12 plants in 4 other countries. International business 9% of sales, 3% of operating profits. Labor costs: 30% of sales. '86 deprec. rate: 5.6%. Est'd plant age: 10 years. Has approx. 43,000 employees; 20,816 common stockholders. Insiders own less than 1% of common. Chairman & C.E.O.: F.S. Greenberg. Pres.: L. Smith. Incorporated: Delaware. Address: 3330 West Friendly Avenue, Greensboro, NC 27420. Tel.: 919-379-2000.

Burlington is fighting for its survival. A partnership of Dominion Textile and financier Asher Edelman is attempting to gain control of Burlington, apparently with the intention of dismembering it. Burlington has fought back with lawsuits, a counter offer for a portion of its stock, and, finally, an agreement to a leveraged buyout by a group led by Morgan Stanley. According to the terms of the LBO, current management will remain in charge, and will take an equity stake in the company when the deal is completed.

A risky strategy wasn't given time to pay off. Burlington has spent heavily on upgrading its facilities in recent years, with an eye towards remaining in the beleaguered domestic apparel textile market, and gaining a dominant position when the shakeout was over. This was a controversial strategy, since the results are only now beginning to be felt, while most of the rest of the industry has generated sharp earnings gains for the past year. We think it would have eventually paid off, as customers came to appreciate Burlington's combination of high quality and responsive service. Time wasn't on the company's side, however.

If the leveraged buyout takes place, Burlington will have to sell assets to pay down debt. The new private company will be excessively leveraged, making asset sales necessary to put finances in order. (Because of this, ironically, Dominion may yet get a crack at Burlington's denim operations, the prize it sought in the takeover battle.) The viability of what remains can't be predicted at the moment.

This is good news for Burlington shareholders. The current stock price represents a 75% premium to book value, and a multiple of 30 times our estimate of 1987 earnings. This is far more than an independent Burlington would be likely to trade for during the balance of the business cycle. So while the bidding is still going on, and the final price has yet to be decided, investors may want to take their profits now, and leave the last couple of points to the arbitrageurs.

John A. Rubino

Restated Sales (and Operating Margins)* by Business Line

	1984	1985	1986	1987
Apparel Fabrics	1761.4(4.2%)	1586.2(3.0%)	1664.4(5.7%)	*1800(6.5%)*
Home Products	1088.8(5.2%)	941.4(4.0%)	812.7(7.7%)	*800(8.0%)*
Indust Products	318.6(8.5%)	274.5(5.0%)	301.0(4.0%)	*500(5.0%)*
Company Total	3168.8(4.2%)	2802.1(3.5%)	2778.1(6.1%)	*3100(7.0%)*

*After deprec., before corp. exps.

(A) Fiscal year ends Sept. 30. (B) Based on average shares outstanding. Next earnings report due late July. Includes nonoperating losses: '83, 26¢. '84, $1.07; '85, 60¢. Excludes gain from discontinued ops.: '86, 30¢/sh. (C) Next dividend meeting about July 17. Goes ex about July 22. Dividend payment dates: Mar. 1, June 1, Sept. 1, Dec. 1. ■ Dividend reinvestment plan available.

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	30
Earnings Predictability	25

[illegible]

[illegible]

Burlington Industry — Price / Book

Co.			Industry Ave.
77	$\frac{25.2}{35.5}$ = .71	77	1.31
78	$\frac{19.6}{36.7}$ = .53	78	1.2
79	$\frac{16.75}{38.0}$ = .44	79	1.18
80	$\frac{19.3}{39.52}$ = .49	80	1.26
81	$\frac{22.8}{41.62}$ = .55	81	1.22
82	$\frac{23.05}{40.39}$ = .57	82	1.16
83	$\frac{34.65}{41.62}$ = .83	83	1.41
84	$\frac{30}{41.82}$ = .72	84	1.38
85	$\frac{28.4}{40.26}$ = .70	85	1.51
86	$\frac{37.25}{43.03}$ = .86	86	1.77
Co. Ave.	.64	Ave	1.34

Sold at 48% of Ind. Ave

Co % earned on Total Capital		Industry Ave	
78	5.8	78	11.3 %
79	6.1	79	13.2
80	6.2	80	11.8
81	8.2	81	10.9
82	4.5	82	8.7
83	6.6	83	9.7
84	5.1	84	11.0
85	1.9	85	10.1
86	4.0	86	8.8
Co	5.38 %	Ave	10.61 %

51% of average.

10 year

Co % earned on Net Worth		Industry Ave	
78	6.8	78	14.2 %
79	7.1	79	16.7
80	7.3	80	14.6
81	9.8	81	13.5
82	4.6	82	10.2
83	7.4	83	11.5
84	5.2	84	13.4
85	1.1	85	12.3
86	4.2	86	10.8
10 Ave	5.94 %	Ave	13.02 %

.46% of Ind ave

$$\frac{\text{T.O. Price}}{\text{Book Value}} \quad \frac{\$78}{44} = 177\%$$

Ave 1.34

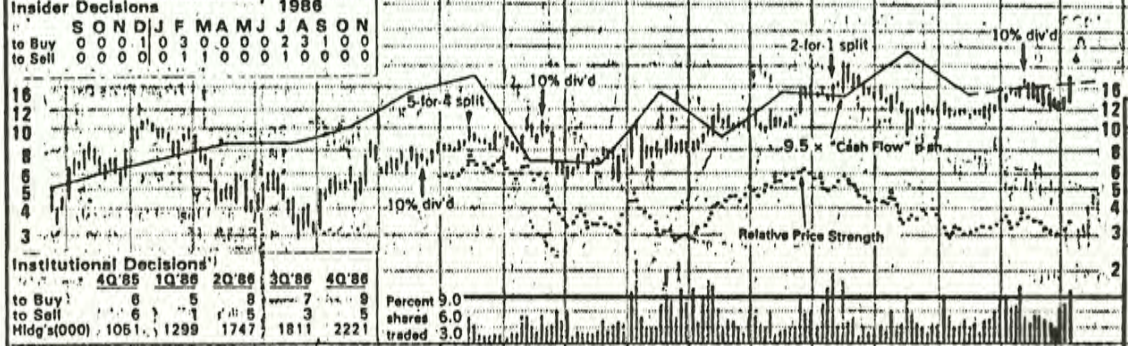
Inst. Inv Own 57%

CONRAC CORP. NYSE-CAX | PRICE 22 | RATIO [illegible] (Median: 13.0) | P/E RATIO [illegible] | YLD [illegible] | VALUE LINE

High	8.7	11.8	9.5	6.5	9.1	8.8	10.5	11.7	8.5	11.3	13.3	16.7	21.8	16.9	13.6	18.6	21.5
Low	4.5	7.2	3.9	3.0	3.3	6.0	7.8	6.0	5.7	6.5	7.7	9.6	13.5	9.5	11.2	12.5	12.8

Insider Decisions

	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
					1986										
to Buy	0	0	0	1	0	3	0	0	0	0	2	3	1	0	0
to Sell	0	0	0	0	0	1	1	0	0	0	1	0	0	0	0



Institutional Decisions

	4Q'85	1Q'86	2Q'86	3Q'86	4Q'86
to Buy	6	5	8	7	9
to Sell	6	1	5	3	5
Hldg's(000)	1051	1299	1747	1811	2221

1988	1989	1990

March 27, 1987 — Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) **3** Average

SAFETY (Scale: 1 Highest to 5 Lowest) **3** Average

BETA .85 (1.00 = Market)

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+105%)	21%
Low	30	(+ 35%)	10%

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	© VALUE LINE, INC. (D)	89-91E
12.69	11.68	13.90	16.46	19.33	20.96	28.16	29.98	28.60	30.28	31.33	24.03	23.30	20.93	23.33	22.65	*22.85*	*25.65*	Sales per sh	*41.45*
.55	.62	.77	.88	.92	1.06	1.58	1.81	.80	.76	1.50	1.01	1.59	1.55	2.57	1.64	*1.75*	*1.90*	"Cash Flow" per sh	*3.85*
.34	.42	.53	.63	.70	.78	1.16	1.40	.29	.19	.93	.61	1.22	1.07	.86	1.08	1.16	*1.30*	Earnings per sh (A)	*2.90*
.18	.18	.18	.18	.18	.20	.24	.31	.35	.36	.36	.36	.36	.36	.36	.36	.39	*.40*	Div'ds Decl'd per sh ■ (B)	*.75*
.12	.13	.18	.28	.19	.30	.40	.67	1.40	.49	.63	.41	.39	.63	.65	.54	*.60*	*.65*	Cap'l Spending per sh	*.80*
3.78	3.99	4.34	4.79	5.31	5.87	6.53	7.57	7.50	7.32	7.87	8.04	9.48	11.37	12.87	13.63	*14.50*	*15.40*	Book Value per sh (C)	*20.70*
4.16	4.19	4.20	4.20	4.20	4.31	4.33	4.45	4.52	4.53	4.69	4.77	4.99	6.74	6.61	6.63	*6.74*	*6.82*	Common Shs Outst'g (E)	*7.00*
14.6	16.6	18.2	9.0	6.4	7.4	6.2	6.3	31.0	36.8	9.0	16.7	9.8	15.3	15.3	11.6	13.0		Avg Ann'l P/E Ratio	*13.5*
1.05	1.06	1.25	.89	.90	.99	.79	.83	4.23	5.32	1.20	2.03	1.08	1.29	1.42	.94	.87		Relative P/E Ratio	*1.15*
3.7%	2.6%	1.9%	3.2%	4.1%	3.4%	3.3%	3.6%	4.0%	5.2%	4.3%	3.6%	3.0%	2.2%	2.8%	2.9%	2.6%		Avg Ann'l Div'd Yield	*1.9%*
						121.9	133.3	129.1	137.2	146.[illegible]	114.7	116.3	141.1	154.3	150.3	153.9	*175*	Sales ($mill)	*290*
						11.9%	12.1%	5.8%	11.2%	11.4%	12.3%	12.7%	12.6%	10.2%	12.0%	*12.5%*	*12.0%*	Operating Margin	*14.5%*
						1.8	1.9	2.3	2.6	2.7	1.9	2.0	3.6	4.1	3.7	*4.0*	*4.3*	Depreciation ($mill)	*7.0*
						5.3	6.5	1.7	1.2	4.7	3.3	6.2	7.0	13.0	7.2	7.8	*9.0*	Net Profit ($mill)	*20.0*
						51.0%	49.6%	37.1%	46.3%	46.6%	46.9%	45.8%	43.9%	49.6%	46.3%	48.9%	*45.0%*	Income Tax Rate	*41.0%*
						4.4%	4.9%	1.3%	.9%	3.2%	2.8%	5.3%	5.0%	8.4%	4.8%	5.1%	*5.1%*	Net Profit Margin	*6.9%*
						34.1	38.4	41.1	43.6	43.1	44.4	44.3	47.2	49.3	52.7	*59.0*	*65.0*	Working Cap'l ($mill)	*100*
						17.8	17.2	23.6	26.1	21.9	16.4	30.8	8.1	7.1	5.0	*3.8*	*3.2*	Long-Term Debt ($mill)	*5.0*
						36.7	42.0	42.1	41.4	44.9	46.2	52.3	78.9	86.9	92.3	*98.0*	*105*	Net Worth ($mill)	*145*
						10.8%	12.5%	3.8%	3.6%	9.7%	7.8%	8.1%	8.9%	14.6%	8.1%	*8.0%*	*8.5%*	% Earned Total Cap'l	*13.5%*
						14.5%	15.5%	4.0%	3.0%	10.4%	7.0%	11.8%	8.9%	15.0%	7.8%	*8.0%*	*8.5%*	% Earned Net Worth	*13.5%*
						14.1%	14.0%	NMF	NMF	7.1%	3.1%	8.8%	6.0%	12.3%	5.2%	*5.5%*	*6.0%*	% Retained to Comm Eq	%
						25%	27%	120%	NMF	44%	64%	33%	34%	19%	34%	*34%*	*31%*	% All Div'ds to Net Prof	%

CAPITAL STRUCTURE as of 9/30/86
Total Debt $10.9 mill. Due in 5 Yrs $7.5 mill.
LT Debt $3.6 mill. LT Interest $.4 mill.
(LT interest earned: 12.2x; total interest coverage: 7.3x) (5% of Cap'l)

Leases, Uncapitalized Annual rentals $.6 mill.

Pension Liability None in '85 vs. None in '84

Pfd Stock $1.8 mill. Pfd Div'd $.1 mill.
Incl. 11,637 shs. Series B cum. conv. into 2.17 com. shs. All shs. $2.00 div., stated at liq. value, $50 a sh. (2% of Cap'l)
Common Stock 6,754,024 shs. (93% of Cap'l)

CURRENT POSITION ($MILL.)	1984	1985	9/30/86
Cash Assets	3.3	7.2	6.6
Receivables	33.3	33.9	35.4
Inventory (Avg Cst)	41.8	35.7	39.3
Other	9.5	6.2	6.6
Current Assets	87.9	83.0	87.9
Accts Payable	7.3	5.8	4.5
Debt Due	16.6	9.0	7.3
Other	14.7	15.5	17.3
Current Liab.	38.6	30.3	29.1

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '83-'85 to '89-'91
Sales	1.5%	-6.0%	*11.0%*
"Cash Flow"	7.5%	13.5%	*12.5%*
Earnings	3.5%	16.5%	*19.0%*
Dividends	7.0%	--	*13.0%*
Book Value	9.0%	11.0%	*9.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	36.9	36.1	33.3	34.8	141.1
1984	35.3	40.7	40.5	37.8	154.3
1985	36.0	37.5	39.3	37.5	150.3
1986	34.1	35.2	41.0	43.6	153.9
1987	*37.0*	*41.0*	*47.0*	*50.0*	*175*

Cal-endar	EARNINGS PER SHARE (A) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.28	.27	.25	.27	1.07
1984	.17	.23	.28	.18	.86
1985	.22	.23	.30	.33	1.08
1986	.26	.26	.32	.32	1.16
1987	*.26*	*.28*	*.37*	*.39*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID (B) Mar. 31	June 30	Sept. 30	Dec. 31	Full ■Year
1983	.091	.091	.091	.091	.36
1984	.091	.091	.091	.091	.36
1985	.091	.091	.091	.091	.36
1986	.091	.10	.10	.10	.39
1987	.10				

BUSINESS: Conrac Corp. is a diversified electronics manufacturer. Produces a wide range of video monitors for computer graphics, broadcast, and data display; manufactures telecommunications equipment for operating telephone companies, business and consumer use; makes door control hardware for commercial buildings and welding transformers and guns for robotic applications. R&D, 6.0% of sales. 1985 depreciation rate: 8.8%. Estimated plant age: 6 years. Empls. (1,500) costs: 28% of sales. Has 2,800 stkhldrs. Insiders own about 12% of stock. Chrmn.: D.H. Putnam. Pres.: P.E. Graf. Incorporated: New York. Address: Three Landmark Square, Stamford, CT 06901. Tel.: 203-348-2100.

Earnings were just 1¢ over our target last year. At $1.16 a share, they were 7% above the $1.08 posted a year earlier. As noted in our last report, three months ago, the primary reason for Conrac's earnings improvement has been the turnaround at Code-A-Phone, the company's consumer telephone manufacturer which has been benefiting from an especially attractive new product line. It's being manufactured at extremely competitive costs at a new site in South Korea, to which production was moved from Portland, Oregon and Japan.

We look for another earnings improvement in 1987 — after a slow start in the first half. The opening six months will probably be hurt by (1) the expected weak showing by Code-A-Phone in its normally slow winter and spring seasons, and (2) the drag from learnings curve and break-in expenses at Conrac's new manufacturing facility in Singapore which management expects to do for its production of personal computer peripheral equipment what South Korea has done for its consumer telephone business. Thus ...

Conrac's Information Display group should snap back in this year's second half — after suffering the ignominious distinction of being the only one of the company's four business segments to show a decline in operating profits last year.

The Telecommunications Division is likely to come through with another good year in 1987. Shipments of telephone equipment to overseas operating companies should grow — as they did last year. Further, there's hope for a pickup in demand in the second half by U.S. telephone companies, up from the essentially flat posture they exhibited in 1986. Overall ...

We think earnings of $1.30 a share are achievable this year — a 12% gain. Meanwhile, this stock is ranked to move with the market during the next 12 months. The recent sharp rise in these shares suggests that other-than-fundamental factors are in play.

Raymond S. Cowen

Restated Sales (and Operating Margins) by Business Line

	1983	1984	1985	1986
Informat.display	46.2(16.7%)	48.5(13.8%)	52.6(16.5%)	*48.0(14.0%)*
Communic/control	21.9(20.6%)	21.0(15.7%)	23.8(18.1%)	*25.0(19.0%)*
Architect/indust.	23.6(15.7%)	28.3(14.8%)	30.7(15.0%)	*30.0(16.5%)*
Code-a-phone	31.6(0.3%)	43.1(1.2%)	40.0(0.3%)	*50.9(4.5%)*
Company Subtotal	123.3(12.8%)	140.9(9.7%)	147.1(12.0%)	*153.9(12.5%)*
Divested Business	17.8(15.7%)	13.4(15.7%)	3.2(25.0%)	--(--)
Company Total	141.1(13.2%)	154.3(10.2%)	150.3(12.3%)	153[illegible]

(A) Based on average shares outstanding. Excl. nonrecurring gain in '82: 39¢; in '84: $1.05. Next earnings report due mid-Apr. (B) Next dividend meeting about Apr. 5. Goes ex about May 24. Dividend payment dates: Mar. 16, June 15, Sept. 15, Dec. 15. ■ Dividend reinvestment plan available. (C) Incl. intangible assets. In '85: $15.4 mill., $2.55/sh. (D) Fully diluted 3 to 5 years hence. (E) In mill., adj. for stock splits & div'ds.

Company's Financial Strength	B
Stock's Price Stability	50
Price Growth Persistence	30
Earnings Predictability	55

[illegible] that report three months [illegible] Division is [illegible]

[illegible] as [illegible] with another [illegible]

[illegible]

Live page 460
date 8/14/87

Company Ave Price / BV ✓ — Industry Average

77	9.15 / 7.57 =	1.21	'77	14.7 / 11.24 =	1.31
78	8.85 / 7.5 =	1.18	78	14.8 / 12.3 =	1.20
79	7.1 / 7.32 =	.97	79	16.5 / 13.93 =	1.18
80	8.9 / 7.87 =	1.13	80	19.5 / 15.47 =	1.26
81	10.5 / 8.04 =	1.30	81	20.2 / 16.58 =	1.22
82	13.15 / 9.48 =	1.39	82	19.65 / 16.95 =	1.16
83	17.65 / 11.37 =	1.55	83	25 / 17.66 =	1.41
84	13.2 / 12.87 =	1.02	84	25.35 / 18.42 =	1.38
85	12.4 / 13.63	.91	85	29.15 / 19.24 =	1.51
86	15.55 / 14.6	1.06	86	34.7 / 19.61 =	1.77
Aver ratio		1.17			1.34 ✓

... did it outperform.

For 10 years Co. sold at 87.3% of industry average Price/Book value ratio

Paid 179% Book Ave. 1.17x

Takeover Price / Co. Book Value = $27.5 / 15.4 = 179%

OR 133% above industry average Price/Book

UnFair before T.O Very Fair at T.O

Institutions Own 4Q 86 33% of Stock

Industry Electronic / Capital Good

CONRAC Corp

CONRAC % Earned of Total Cap		Ind. Ave	
78	3.8	78	11.3
79	3.6	79	13.2
80	9.7	80	11.8
81	7.8	81	10.9
82	8.1	82	8.7
83	8.9	83	9.7
84	14.6	84	11.0
85	8.1	85	10.1
86	8.0	86	8.8
Ave	8.06 %	Ave	10.61 %

Never Out perfor.

76% of Ave 9 years.

Co. Earned on Net Worth		Industry Ave	
78	4.0 -	78	14.2
79	3.0 -	79	16.7
80	10.4	80	14.6
81	7.0	81	13.5
82	11.8	82	10.2
83	8.9	83	11.5
84	15.0	84	13.4
85	7.8	85	12.3
86	8	86	10.8
Ave	8.43	Ave	13.02

only Out perform 2/9

65% of Ind Ave.

REXNORD INC. NYSE-REX | PRICE | RATIO | P/E RATIO

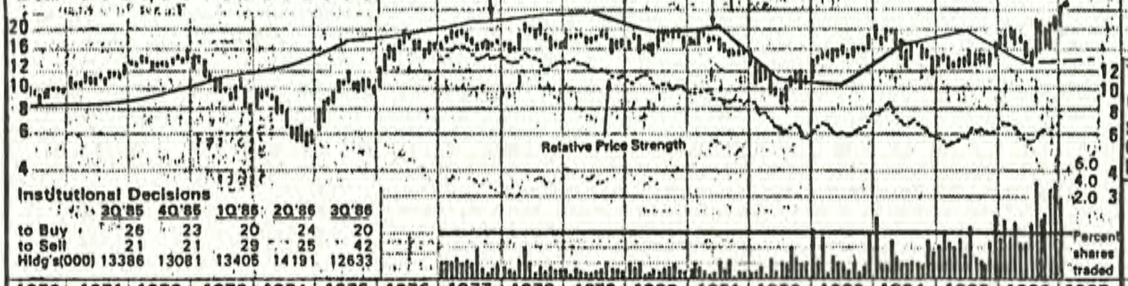
High	13.5	15.8	14.8	10.0	12.4	19.8	19.8	21.3	19.6	20.3	20.3	15.6	18.8	20.8	17.4	22.6
Low	10.3	12.4	7.5	5.3	6.3	10.3	15.5	15.3	15.1	14.8	14.5	8.5	11.4	11.8	12.5	14.1

1988	1989	1990	1991

February 20, 1987 | Value Line

Insider Decisions

1986	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
to Buy	0	1	0	0	0	0	11	6	0	0	0	0	0	0	1
to Sell	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0



TIMELINESS (Relative Price Performance Next 12 Mos.) —

SAFETY 3 Average (Scale: 1 Highest to 5 Lowest)

BETA .85 (1.00 = Market)

Institutional Decisions

	3Q'85	4Q'85	1Q'86	2Q'86	3Q'86
to Buy	26	23	20	24	20
to Sell	21	21	29	25	42
Hldg's(000)	13386	13081	13405	14191	12633

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+15%)	5%
Low	20	(−25%)	−5%

© VALUE LINE, INC.	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	89-91E
Sales per sh (A)	26.31	29.71	31.84	38.65	42.91	48.28	42.74	44.03	48.74	51.13	53.98	56.45	46.72	39.93	43.73	44.36	26.72	28.25	34.60
"Cash Flow" per sh	1.39	1.41	1.60	1.86	2.14	2.83	3.20	3.54	3.89	3.93	3.28	3.35	1.93	1.74	2.93	3.36	2.29	2.40	3.35
Earnings per sh (B)	.92	.86	1.01	1.14	1.39	2.02	2.08	2.30	2.67	2.78	2.03	1.81	.61	.19	1.26	1.52	1.23	1.35	2.10
Div'ds Decl'd per sh (C)	.50	.50	.52	.52	.54	.57	.62	.71	.84	.94	1.02	1.07	1.08	.40	.40	.43	.44	Nil	Nil
Cap'l Spending per sh	1.13	1.39	1.24	.96	1.41	1.11	1.42	1.69	1.77	2.18	2.59	2.99	2.24	.88	1.31	1.30	1.06	1.05	1.15
Book Value per sh (D)	8.20	8.55	9.04	9.67	10.53	12.14	14.42	15.94	17.94	18.65	19.64	19.50	18.46	18.10	18.59	18.82	15.38	16.45	21.90
Common Shs Outst'g	11.41	11.41	11.42	11.44	11.48	11.47	14.86	16.90	17.63	19.76	20.07	20.02	20.05	20.15	21.06	24.88	25.07	25.50	26.00
Avg Ann'l P/E Ratio	11.6	13.0	13.5	10.2	5.7	4.5	7.1	7.6	6.7	6.4	8.6	9.5	19.5	NMF	13.5	9.2	13.9		12.0
Relative P/E Ratio	.83	.83	.93	1.01	.80	.60	.91	1.00	.91	.93	1.14	1.15	2.15	NMF	1.26	.74	.93		1.00
Avg Ann'l Div'd Yield	4.7%	4.5%	3.8%	4.5%	6.8%	6.2%	4.2%	4.1%	4.7%	5.3%	5.9%	6.2%	9.1%	2.8%	2.4%	3.1%	2.6%		Nil
Sales ($mill) (A)							634.9	744.1	859.3	1010.2	1083.7	1130.0	936.6	804.5	921.1	1103.5	669.8	720	900
Operating Margin							13.9%	14.8%	14.0%	13.9%	10.5%	10.1%	7.8%	7.4%	10.6%	11.9%	12.0%	12.5%	13.5%
Depreciation ($mill)							12.9	16.9	18.0	20.9	24.6	28.7	31.6	31.3	35.1	47.3	26.4	27.0	32.0
Net Profit ($mill)							36.2	44.1	51.2	57.3	41.6	38.6	7.2	3.9	26.6	36.2	30.9	34.0	55.0
Income Tax Rate							48.6%	48.0%	47.0%	45.7%	40.1%	43.7%	55.7%	14.2%	37.8%	36.2%	33.1%	39.0%	36.0%
Net Profit Margin							5.7%	5.9%	6.0%	5.7%	3.8%	3.4%	.8%	.5%	2.9%	3.3%	4.6%	4.7%	6.1%
Working Cap'l ($mill)							194.3	192.4	231.5	271.6	321.6	266.8	234.4	234.3	244.0	225.8	145.1	160	150
Long-Term Debt ($mill)							67.0	80.1	87.9	112.8	179.8	159.3	157.8	147.8	194.8	189.5	185.0	175	120
Net Worth ($mill)							244.2	282.2	326.5	375.9	397.4	392.5	372.1	364.7	391.5	468.1	385.7	420	570
% Earned Total Cap'l							12.5%	13.2%	13.2%	12.8%	8.4%	8.4%	2.8%	2.2%	6.0%	7.1%	6.0%	6.5%	8.5%
% Earned Net Worth							14.8%	15.6%	15.7%	15.2%	10.5%	9.8%	1.9%	1.1%	6.8%	7.7%	8.0%	8.0%	9.5%
% Retained to Comm Eq							12.3%	11.9%	11.4%	10.9%	5.4%	4.4%	NMF	NMF	4.7%	5.6%	4.9%	8.0%	9.5%
% All Div'ds to Net Prof							28%	27%	29%	30%	49%	56%	NMF	NMF	31%	27%	39%	Nil	Nil

CAPITAL STRUCTURE as of 10/31/86
Total Debt $195.8 mill. Due in 5 Yrs $79.5 mill.
LT Debt $185.0 mill. LT Interest $7.8 mill.
(LT interest earned: 6.9x; total interest coverage: 5.7x)
Incl. $29.7 mill. capitalized leases.
Incl. $50.0 mill. 9¼% sub. debs. ('05) cv. into 47.06 shs. at $21.25. (33% of Cap'l)

Pension Liability None in '85 vs. None in '84
Pfd Stock None
Common Stock 25,074,703 shs. (67% of Cap'l) (27.4 mill. fully diluted shs.)

CURRENT POSITION ($MILL.)	1984	1985	10/31/86
Cash Assets	61.3	13.9	12.6
Receivables	168.7	203.4	134.3
Inventory(LIFO)	193.3	198.6	133.4
Other	21.8	54.3	20.0
Current Assets	445.1	470.2	300,3
Accts Payable	44.8	58.9	35.0
Debt Due	61.6	59.4	10.8
Other	94.7	126.1	109.4
Current Liab.	201.1	244.4	155.2

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '84-'86 to '89-'91
Sales	−1.5%	−6.5%	2.0%
"Cash Flow"	.5%	−4.0%	3.0%
Earnings	−3.0%	−9.5%	9.5%
Dividends	−3.0%	−16.0%	NMF
Book Value	3.5%	−2.0%	4.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) (A) Jan. 31	Apr. 30	July 31	Oct. 31	Full Fiscal Year
1983	177.1	209.9	204.4	213.1	804.5
1984	191.7	223.8	237.4	268.2	921.1
1985	237.8	275.9	286.4	303.4	1103.5
1986	149.1	176.9	176.3	167.5	669.8
1987	160	190	190	180	720

Fiscal Year Ends	EARNINGS PER SHARE (A) Jan. 31	Apr. 30	July 31	Oct. 31	(B) Full Fiscal Year
1983	.05	.08	.05	.01	.19
1984	.16	.32	.35	.43	1.26
1985	.28	.42	.31	.51	1.52
1986	.50	.23	.23	.27	1.23
1987	.40	.30	.30	.35	1.35

Cal-endar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.10	.10	.10	.10	.40
1984	.10	.10	.10	.10	.40
1985	.11	.11	.11	.11	.44
1986	.11	.11	.11	.11	.44
1987					

BUSINESS: Rexnord Inc. is a diversified manufacturer of machinery, components, and industrial systems. Major products are mechanical power transmission components, material handling systems, mineral & rock crushing and processing machinery, engineered plastics, process controls, specialty chemicals, fasteners & water pollution control equip. Foreign sales (operating profit): 18% (20%) of total. '85 deprec. rate: 6.6%. Est'd plant age: 7 years. Insiders own 2% of common. Has 13,800 empls., 8,790 common stkhldrs. Chrmn. & C.E.O: D. Taylor. President: J.P. Calhoun. Incorporated: Wisconsin. Address: 350 North Sunny Slope Road, Brookfield, WI 53005. Tel.: 414-797-6900.

Banner Industries has offered to buy Rexnord for $26.25 a share. Banner, which now owns about 20% of Rexnord's shares, has begun a cash tender offer for all shares that it does not already own. The offer, which was unanimously approved by both boards, runs for twenty business days and expires on February 27th. Any shares not tendered would also receive $26.25 in cash. The total value of the deal is about $525 million.

The deal is good for Rexnord shareholders, in our opinion. In the 4th quarter (ended October 31st), Rexnord shares traded in the $15-$19 range. When the company announced a restructuring plan in late November, the stock moved up to around $20 a share. Subsequent price rises to the $22-a-share level were supported largely by Banner's accumulation of shares on the open market. Given the maturity and the cyclicality of many of Rexnord's core businesses, we doubt that a better offer will materialize. Therefore, we recommend that Rexnord shareholders tender their shares at the offering price.

Meanwhile, Rexnord is proceeding with $400 million of divestitures, as per its original restructuring plan. Accordingly, sales and earnings for fiscal 1986 have been restated to $669.8 million and $1.23 a share, respectively, to reflect the discontinuance of certain operations. Businesses to be sold include the process machinery division, the railway equipment division, Matthews Conveyer Company, Fairfield Manufacturing Company, (gears) and Belofram Corp. (control and actuation devices).

For 1987 and to the end of the decade, we expect the sales of Rexnord's remaining businesses to grow 7%-8% annually, due largely to the favorable prospects for its aerospace and engineered materials businesses. The company's bottom line should also benefit from across-the-board cost-cutting steps, as well as improving market conditions for some of its process control businesses. But several weak sectors will likely impede overall earnings growth.

This will probably be our last report on Rexnord. We expect the deal will go through within the next three months. Due to the pending merger, we've suspended our Timeliness rank (otherwise 3, Average) on this equity.

William W. Whyte/Arthur H. Medalie

(A) Fiscal year ends Oct. 31st of calendar year. (B) Next egs. report due late Feb. Based on fully diluted shs. Excl. extraordinary income: '71, d3¢; '84, 7¢; '86, 27¢. Excl. nonrecur. egs.: '82, d26¢; '83, 8¢; '86, d$3.48. Excl. loss discont. ops.: '86, $2.16. (C) Dividend payments suspended due to merger. (D) Incl. intang. In '85: $152.3 mill., $6.12/sh. Incl. accum. currency loss: In '85: $32.6 mill., $1.31/sh.

Company's Financial Strength	B
Stock's Price Stability	40
Price Growth Persistence	5
Earnings Predictability	40

[illegible]

Rexnord Inc. Price/Book

Co			Industrial Ave	
77	$\frac{17.65}{15.94}$ =	1.11	77	1.31
78	$\frac{18.3}{17.94}$ =	1.02	78	1.2
79	$\frac{17.35}{18.65}$ =	.93	79	1.18
80	$\frac{17.55}{19.64}$ =	.89	80	1.26
81	$\frac{17.4}{19.5}$ =	.89	81	1.22
82	$\frac{12.05}{18.46}$ =	.65	82	1.16
83	$\frac{15.1}{18.1}$ =	.83	83	1.41
84	$\frac{16.7}{18.59}$ =	.88	84	1.38
85	$\frac{14.95}{18.82}$ =	.79	85	1.51
86	$\frac{18.35}{15.38}$ =	1.19	86	1.77
Co Ave		.92	Ind	1.34

Sold at 69% of Ind. Ave

Co % earned on Total Capital		Industrial Ave	
78	13.2%	78	11.3%
79	12.8%	79	13.2%
80	8.4%	80	11.8
81	8.4%	81	10.9
82	2.8%	82	8.7
83	2.2%	83	9.7
84	6.0%	84	11.0
85	7.1%	85	10.1
86	6.0%	86	8.8
Co Ave	7.43		10.61%

Co 70% of Industry

Reynold

Co. % earned on Net Worth		Ind Ave	
78	15.7 %	78	14.2 %
79	15.2	79	16.7
80	10.5	80	14.6
81	9.8	81	13.5
82	1.9	82	10.2
83	1.1	83	11.5
84	6.8	84	13.4
85	7.7	85	12.3
86	8.0	86	10.8
Ave	8.52	Ave	13.02

Co 65% of Ind Ave.

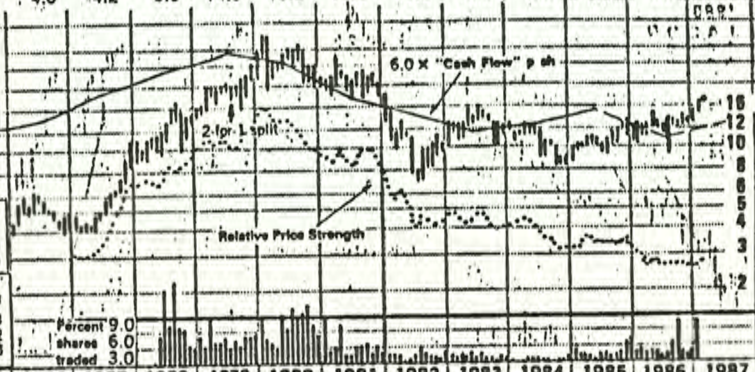
$\frac{\text{T.O. Price}}{\text{Book Value}} \quad \frac{26.25}{16.45} = 1.59\ \%$

to Ave 1.34

WESTBURNE INT'L ASE-WBI

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
High	7.0	8.7	8.5	6.4	8.1	6.7	11.7	17.8	26.9	36.8	28.5	19.0	16.4	13.5	13.4	14.3
Low	4.0	5.3	4.8	3.0	3.0	4.0	4.2	9.0	14.5	19.8	18.0	17.0	10.3	8.3	8.8	9.8

Company financial data in Canadian dollars; share prices in U.S. dollars. P/Es, dividend yields, and "cash flow" lines based on following exchange rates for Canadian dollar: Prior to '76, U.S. $1.00; 76, 95¢; '77, 89¢; '78, 85¢; '79, 86¢; '80-'81, 84¢; '83, 80¢; '84, 76¢; '85, 72¢; '86, 72¢;



Insider Decisions

	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0

1986

Institutional Decisions

	3Q'85	4Q'85	1Q'86	2Q'86	3Q'86
to Buy	6	7	3	4	8
to Sell	3	3	3	1	2
Hldg's(000)	643	720	647	710	716

1988	1989	1990	1991

March 13, 1987 · Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) **4** Below Average
SAFETY (Scale: 1 Highest to 5 Lowest)
BETA 1.05 (1.00 = Market)

1989-91 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+195%)	32%
Low	30	(+ 75%)	17%

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	© VALUE LINE, INC.	89-91E
18.10	21.66	28.77	37.84	49.81	51.78	58.34	65.20	79.25	122.31	111.73	123.64	103.05	110.17	123.22	137.57	*141.00*	*152.95*	Sales per sh (A)	*215.10*
.96	.78	1.21	1.36	2.06	2.05	2.49	3.62	4.66	5.66	5.26	3.58	3.00	2.45	2.92	3.43	*2.55*	*3.05*	"Cash Flow" per sh	*7.65*
.62	.43	.68	.76	1.47	1.12	1.30	2.23	3.14	4.00	3.39	1.12	.83	.84	1.06	1.48	*.85*	*1.15*	Earnings per sh (B)	*4.85*
--	--	--	--	--	--	--	--	.88	.70	.70	.70	.40	.25	.20	.20	*.20*	*.20*	Div'ds Decl'd per sh (C)	*.70*
.95	1.49	1.97	2.61	6.60	6.23	1.93	1.97	2.73	4.67	4.76	4.74	2.24	1.36	3.10	3.00	*2.85*	*3.35*	Cap'l Spending per sh	*3.35*
3.64	4.13	4.79	5.15	6.66	7.66	8.61	10.65	12.23	14.86	21.39	21.80	22.23	21.03	22.13	16.85	*17.65*	*18.60*	Book Value per sh	*28.15*
5.79	6.03	6.17	6.22	6.23	6.91	7.24	7.40	7.77	7.77	10.46	10.46	10.46	10.46	10.46	10.46	*10.46*	*10.46*	Common Shs Outst'g (D)	*10.46*
5.9	13.2	9.9	8.7	3.0	4.1	4.0	2.6	4.0	4.9	8.1	17.3	12.6	15.7	9.9	7.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*12.0*
.42	.84	.68	.86	.42	.55	.51	.34	.55	.71	1.08	2.10	1.39	1.33	.92	.62			Relative P/E Ratio	*1.00*
--	--	--	--	--	--	--	--	7.0%	3.6%	2.6%	3.6%	3.8%	1.9%	1.9%	1.8%			Avg Ann'l Div'd Yield	*1.2%*

CAPITAL STRUCTURE as of 9/30/86
Total Debt $334.1 mill. Due in 5 Yrs $219.1 mill.
LT Debt $145.9 mill. LT Interest $15.3 mill.
(LT interest earned: 2.6x; total interest coverage: 1.8x)
(45% of Cap'l)
Leases, Uncapitalized Annual rentals $10.6 mill.
Pension Liability None in '85 vs. None in '84
Pfd Stock None
Common Stock 10,457,218 shs. (55% of Cap'l)

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987		89-91E
422.5	482.7	616.0	950.7	1168.6	1292.9	1077.7	1152.1	1288.6	1438.6	*1475*	*1600*	Sales ($mill) (A)	*2250*
8.4%	9.6%	10.3%	9.2%	9.2%	8.2%	5.1%	4.6%	5.0%	5.0%	*4.2%*	*4.4%*	Operating Margin	*7.0%*
9.0	10.5	12.3	12.9	22.0	25.8	22.7	16.8	19.4	20.3	*16.0*	*18.0*	Depreciation ($mill)	*25.0*
9.2	16.4	24.0	31.1	33.0	11.7	8.7	8.8	11.1	15.5	*9.0*	*12.0*	Net Profit ($mill)	*50.0*
45.5%	40.1%	44.6%	45.4%	44.2%	61.1%	--	31.0%	34.6%	42.5%	*54.0%*	*49.0%*	Income Tax Rate	*49.0%*
2.2%	3.4%	3.9%	3.3%	2.8%	.9%	.8%	.8%	.9%	1.1%	*.6%*	*.8%*	Net Profit Margin	*2.2%*
32.2	36.1	82.5	69.9	102.1	79.9	142.5	147.6	157.5	161.6	*150*	*155*	Working Cap'l ($mill)	*225*
62.3	50.8	86.5	101.7	79.9	72.7	135.3	132.5	146.6	149.0	*150*	*150*	Long-Term Debt ($mill)	*150*
64.1	80.1	95.1	115.5	223.7	228.0	232.5	219.9	231.4	176.2	*185*	*195*	Net Worth ($mill)	*295*
10.7%	15.1%	15.4%	16.8%	12.7%	5.4%	5.0%	4.5%	5.1%	7.2%	*5.0%*	*5.5%*	% Earned Total Cap'l	*13.0%*
14.3%	20.5%	25.2%	26.9%	14.8%	5.1%	3.8%	4.0%	4.8%	8.8%	*5.0%*	*6.0%*	% Earned Net Worth	*17.5%*
14.5%	20.7%	17.0%	22.2%	11.6%	1.9%	2.0%	2.8%	3.9%	7.6%	*4.0%*	*5.0%*	% Retained to Comm Eq	*15.0%*
1%	1%	33%	18%	21%	63%	48%	30%	19%	13%	*23%*	*17%*	% All Div'ds to Net Prof	*14%*

CURRENT POSITION	1983	1984	9/30/86
Cash Assets	28.7	25.4	29.7
Receivables	177.5	207.1	235.2
Inventory(FIFO)	196.0	206.8	237.4
Other	9.0	8.6	7.6
Current Assets	411.2	447.9	509.9
Accts Payable	137.6	157.1	165.0
Debt Due	123.4	132.5	188.2
Other	2.6	.8	--
Current Liab.	263.6	290.4	353.2

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '83-'85 to '89-'91
Sales	10.5%	3.5%	*9.5%*
"Cash Flow"	5.0%	-11.0%	*17.5%*
Earnings	Nil	-20.5%	*27.5%*
Dividends	--	-22.0%	*21.5%*
Book Value	12.0%	4.5%	*6.0%*

Fiscal Year Begins	QUARTERLY SALES ($ mill.) (A) June 30	Sept. 30	Dec. 31	Mar. 31	Full Fiscal Year
1983	272.7	301.1	306.2	272.1	1152.1
1984	304.0	327.3	338.7	318.6	1288.6
1985	335.6	373.0	395.4	334.6	1438.6
1986	341.9	381.2	407.2	*344.7*	*1475*
1987	*370*	*420*	*440*	*370*	*1600*

Fiscal Year Begins	EARNINGS PER SHARE (A)(B) June 30	Sept. 30	Dec. 31	Mar. 31	Full Fiscal Year
1983	.22	.35	.44	d.17	.84
1984	.22	.40	.35	.09	1.06
1985	.31	.56	.48	.13	1.48
1986	.13	.34	.32	*.06*	*.85*
1987	*.20*	*.45*	*.40*	*.10*	*1.15*

Cal-endar	QUARTERLY DIVIDENDS PAID (C) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.10	.10	.10	.05	.35
1984	.05	.05	.05	.05	.20
1985	.05	.05	.05	.05	.20
1986	.05	.05	.05	.05	.20
1987	.05				

BUSINESS: Westburne International Industries Ltd. distributes plumbing, heating and electrical supplies, primarily in Canada (87% of fiscal 1985 sales, 102% of profits). Performs contract drilling in Canada, the United States, Indonesia, and distributes oilfield supplies in Canada (11%, d3%). Oil and gas production is concentrated in Canada (2%, 1%). Present (3/86) value of proved reserves: $61.8 million. '85 depreciation rate: 5.1%. Estimated plant age: 4 years. Has 5,100 employees, 3,600 shareholders. Insiders control 30% of common. Chairman: J.A. Scrymgeour. President: S. Abramovitch. Incorporated: Canada. Address: 535 7th Avenue, S.W., Calgary, Alberta T2P 0Y4, Canada. Tel.: 403-233-6600.

Westburne International has received a tender offer of $22.50 (Canadian) from Dumez Investment Inc., which is 70% controlled by Dumez S.A., a Paris-based multinational, engineering and construction firm. Management is backing the deal and has recommended its approval to shareholders. Since an earlier bid from Dumez for Westburne's profitable construction equipment and supplies distribution business fell apart only for tax reasons, we think the new deal is likely to succeed. The stock has responded by bounding to a 4-year high.

We advise holders to accept the sweetened offer. At shareholders' request, Dumez will make an equivalent payment in U.S. dollars at the then current exchange rates. We think accepting Dumez' cash is preferable to selling on the open market now because savings on transaction costs (assuming a broker's fee of 2%) will most likely offset any possible currency loss (on the order of 2%, we estimate) by the time the deal is completed. Meanwhile, **1987 earnings will likely recover only moderately from their weakened level.** Westburne will probably continue to suffer losses in virtually all of its oil-related businesses for reasons similar to those affecting the U.S. industry: a 60% to 70% year-to-year drop in the average active rig count and severe price competition. Earnings are being further depressed by higher tax rates. Even if oil prices stabilize in the $16 to $18 a barrel range, the gradual recovery will be unlikely to push the company's operations into profitability. And the construction supplies business will probably expand only modestly as small price increases go into effect and construction activity, once again following the U.S. pattern, falls off.

It's all academic if the Dumez deal goes through, but over the long pull, risk-tolerant investors stand to capture above-average gains if the company is still operating on its present basis. Continuing expansion of its construction-related business as well as a recovery of the oil industry will, we project, boost earnings to $4.85 a share in 1989-91.

L. Nicholas Raphael/Carolyn M. Sofia

CASH POSITION	5-Year Av'g	9/30/86
Current Assets to Current Liabilities:	149%	144%
Cash & Equiv's to Current Liab'ties:	8%	8%
Working Capital to Sales:	11%	11%

(A) Fiscal year ends Mar. 31st of following calendar year. (B) Primary earnings. Next earnings report due late April. Excl. nonrecurring charges: '79, 68¢/sh.; '84, 16¢/sh.; asset writedown: '85, $6.69/sh. (C) Next dividend meeting about May 7. Goes ex about June 5. Dividend payment dates: Jan. 1, Apr. 1, July 1, Oct. 1. Before 15% Canadian tax on U.S. residents. Paid in Canadian dollars. (D) In millions, adjusted for stock splits and dividends.

Company's Financial Strength	C++
Stock's Price Stability	35
Price Growth Persistence	20
Earnings Predictability	30

Westburn Indus. Price / Book

Co.			Industrial Ave	
77	$\frac{7.95}{10.65}$ =	.75	77	1.31
78	$\frac{13.4}{12.23}$ =	1.09	78	1.2
79	$\frac{20.7}{14.86}$ =	1.39	79	1.18
80	$\frac{28.3}{21.39}$ =	1.32	80	1.26
81	$\frac{23.25}{21.8}$ =	1.07	81	1.22
82	$\frac{13}{22.23}$ =	.58	82	1.16
83	$\frac{13.35}{21.03}$ =	.63	83	1.41
84	$\frac{10.9}{22.13}$ =	.49	84	1.38
85	$\frac{11}{16.88}$	.65	85	1.51
86	$\frac{12.05}{17.65}$	.68	86	1.77
Co Ave		.86	Ind. Ave	1.34

Co traded at 64% of Ave Ind.

Co % earned on Total Capital		Indust Ave	
78	15.4 %	78	11.3 %
79	16.8	79	13.2
80	12.7	80	11.8
81	5.4	81	10.9
82	5.0	82	8.7
83	4.5	83	9.7
84	5.1	84	11.0
85	7.2	85	10.1
86	5.0	86	8.8
Co Ave	8.57	Ind Ave	10.61

81% of Ave.

Westburn I !

Co % earned on Net Worth		Ind Ave	
78	25.2	78	14.2
79	26.9	79	16.7
80	14.8	80	14.6
81	5.1	81	13.5
82	3.8	82	10.2
83	4.0	83	11.5
84	4.8	84	13.4
85	8.8	85	12.3
86	5.0	86	10.8
	10.93	Ind Ave	13.02

84% of Average

T.O. Price $\frac{16.75}{17.65} = .95$

Ave 1.34

Co Ave .86

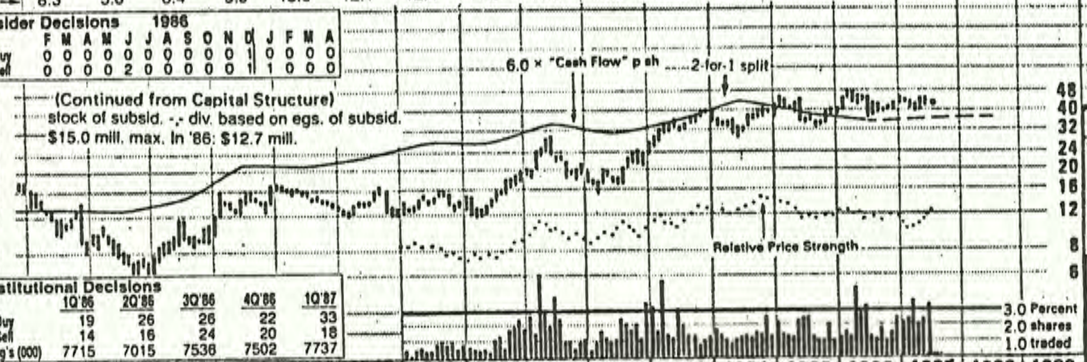
NO. AM. PHILIPS NYSE-NPH

RECENT PRICE 43 | P/E RATIO 20.3 (Median: 7.0) | RELATIVE P/E RATIO 1.27 | YLD 2.7% | VALUE LINE

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
High	17.4	11.5	12.1	18.0	18.0	17.4	16.0	19.9	29.8	25.2	39.8	40.5	45.3	48.0	45.4	
Low	8.3	5.6	6.4	9.9	13.6	12.1	12.4	11.8	17.9	15.0	23.5	28.5	31.6	35.1	37.3	

Insider Decisions 1986

	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
to Sell	0	0	0	0	2	0	0	0	0	0	1	1	0	0	0



Institutional Decisions

	1Q'86	2Q'86	3Q'86	4Q'86	1Q'87
to Buy	19	26	26	22	33
to Sell	14	16	24	20	18
Hldg's (000)	7715	7015	7536	7502	7737

August 7, 1987 Value Line

TIMELINESS (Relative Price Performance Next 12 Mos.) 5 Lowest 3 Average

SAFETY (Scale: 1 Highest to 5 Lowest)

BETA 1.00 (1.00 = Market)

1990-92 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+ 40%)	11%
Low	40	(– 5%)	2%

1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	© VALUE LINE, INC.	90-92E
35.43	35.50	47.23	58.58	67.80	74.72	84.48	92.83	101.74	110.74	114.36	132.38	150.20	151.90	156.19	164.95	153.50		Sales per sh	180.00
2.23	2.23	2.16	2.38	3.36	3.60	3.98	4.65	4.58	5.73	4.90	5.97	7.43	6.65	5.93	5.75	5.80		"Cash Flow" per sh	9.05
1.52	1.84	1.39	1.39	2.25	2.38	2.63	3.14	2.85	3.84	2.67	3.38	4.36	3.26	2.13	2.10	2.50		Earnings per sh (A)	5.00
.50	.50	.60	.60	.60	.75	.75	.83	.85	.85	.85	.85	1.00	1.00	1.00	1.05	1.25		Div'ds Decl'd per sh (B)	1.65
1.06	1.01	1.37	1.44	1.60	2.23	2.53	2.63	4.33	5.05	4.28	4.98	6.07	5.81	8.24	6.85	6.65		Cap'l Spending per sh	8.00
13.27	14.16	14.66	14.74	16.22	17.91	19.73	22.02	24.14	26.76	28.28	30.79	34.26	36.31	37.78	38.50	39.85		Book Value per sh	48.00
17.69	20.50	21.06	24.07	25.42	25.65	25.85	25.95	26.13	27.36	27.70	28.70	28.80	28.93	29.01	29.10	32.25		Common Shs Outst'g (C)	32.25
11.6	6.7	6.0	6.7	6.5	6.6	5.3	4.5	5.4	5.7	7.3	9.6	8.0	11.5	19.2	Bold figures are Value Line estimates			Avg Ann'l P/E Ratio	10.0
.80	.66	.84	.89	.83	.86	.72	.65	.72	.69	.80	.81	.74	.93	1.30				Relative P/E Ratio	.85
2.8%	4.1%	7.2%	6.5%	4.1%	4.8%	5.4%	5.9%	5.5%	3.9%	4.4%	2.6%	2.9%	2.7%	2.5%				Avg Ann'l Div'd Yield	3.0%
						2184.0	2409.0	2658.4	3030.0	3168.1	3799.8	4325.9	4395.2	4531.6	4765	4950		Sales ($mill)	5800
						8.5%	8.8%	8.2%	7.9%	6.8%	7.4%	8.2%	6.7%	5.7%	6.0%	6.0%		Operating Margin	8.0%
						34.9	38.8	45.2	52.8	62.1	75.6	88.4	98.0	110.4	105	110		Depreciation ($mill)	130
						68.0	81.7	74.5	104.0	73.6	99.7	132.2	94.3	74.4	75.0	90.0		Net Profit ($mill)	175
						45.1%	45.4%	41.8%	39.5%	31.6%	37.3%	38.1%	31.8%	18.9%	38.0%	38.0%		Income Tax Rate	38.0%
						3.1%	3.4%	2.8%	3.4%	2.3%	2.6%	3.1%	2.2%	1.6%	1.5%	1.8%		Net Profit Margin	3.0%
						561.8	613.8	685.7	834.9	843.3	956.9	1131.8	1157.1	1162.6	1095	1030		Working Cap'l ($mill)	950
						166.9	172.0	256.3	325.0	269.2	350.8	501.4	495.6	552.5	550	420		Long-Term Debt ($mill)	425
						510.1	571.4	630.7	732.2	783.5	883.9	986.8	1050.6	1096.2	1120	1285		Net Worth ($mill)	1550
						11.0%	11.9%	9.7%	11.6%	8.3%	9.5%	10.3%	8.2%	6.0%	6.0%	6.5%		% Earned Total Cap'l	10.0%
						13.3%	14.3%	11.8%	14.2%	9.4%	11.3%	13.4%	9.0%	6.8%	6.5%	7.0%		% Earned Net Worth	11.5%
						9.6%	10.6%	8.3%	11.1%	6.4%	8.1%	9.8%	6.2%	3.0%	3.0%	3.0%		% Retained to Comm Eq	7.0%
						28%	26%	30%	22%	32%	28%	27%	31%	56%	58%	59%		% All Div'ds to Net Prof	38%

CAPITAL STRUCTURE as of 3/31/87
Total Debt $661.3 mill. Due in 5 Yrs $356.8 mill.
LT Debt $576.8 mill. LT Interest $55.8 mill.
Incl. $125 mill. 10.8% notes cv. into 3.125 mill. common shs. in 1988.
Incl. $29.2 mill. capitalized leases.
(LT interest earned: 2.6x; total interest coverage: 2.4x) (34% of Cap'l)
Leases, Uncapitalized Annual rentals $55.1 mill.
Pension Liability None in '86 vs. None in '85
Pfd Stock
$212.0 mill. Philips N.V. interest in pfd.
(Continued on Chart)
Common Stock 29,030,382 shs. (66% of Cap'l)
(32.2 mill. fully diluted shs.)

CURRENT POSITION ($MILL.)	1985	1986	3/31/87
Cash Assets	41.7	48.6	63.8
Receivables	956.4	965.4	888.6
Inventory(FIFO)	838.5	956.8	998.4
Other	91.9	92.5	91.6
Current Assets	1928.5	2063.3	2042.4
Accts Payable	200.5	229.2	289.9
Debt Due	35.0	95.2	84.5
Other	535.9	576.3	492.3
Current Liab.	771.4	900.7	866.7

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	(D) Est'd '84-'86 to '90-'92
Sales	10.0%	8.5%	3.0%
"Cash Flow"	9.5%	6.0%	5.0%
Earnings	7.0%	—	7.5%
Dividends	5.0%	3.5%	8.5%
Book Value	9.0%	8.0%	5.0%

Calendar	QUARTERLY SALES ($ mill.) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1984	976	1033	1068	1248.9	4325.9
1985	1014	1016	1038	1327.2	4395.2
1986	1026	1064	1084	1357.6	4531.6
1987	1105	1066.2	1170	1423.8	4765
1988	1140	1100	1210	1500	4950

Calendar	EARNINGS PER SHARE (A) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1984	.80	1.16	.96	1.44	4.36
1985	.75	.47	.47	1.57	3.26
1986	.49	.37	.60	.67	2.13
1987	.50	.17	.60	.83	2.10
1988	.50	.40	.65	.95	2.50

Calendar	QUARTERLY DIVIDENDS PAID (B) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.213	.213	.213	.213	.85
1984	.212	.25	.25	.25	.96
1985	.25	.25	.25	.25	1.00
1986	.25	.25	.25	.25	1.00
1987	.25	.25	.25		

BUSINESS: North American Philips Corp. is a diversified manufacturer of electronic and electrical products, and musical instruments. Has technical assistance and license agreements with Philips N.V. Acquired Magnavox Co. (1974), Centralab (1980), GTE Television (1981), Westinghouse lamps (Feb. 1983). Principal consumer brands, *Magnavox, Norelco, Sylvania, Philco, Genie*. Estimated labor costs, 30% of sales; R&D, 2.5%; exports, 5%. 1986 depreciation rate: 8.3%. Estimated plant age: 5 years. Has 50,400 employees, 9,400 shareholders. Philips N.V. owns 58% of stock; Insiders 1%. Chairman & President: C. Bruynes. Incorporated: Delaware. Address: 100 E. 42nd Street, New York, NY 10017. Telephone: 212-697-3600.

We've substantially lowered our estimate of North American Philips's earnings for 1987. Excluding nonrecurring charges from the prior year's results, share net was down in the June quarter. High advertising costs to gain U.S. market share for the Philips bulb continue to hurt results in the electrical consumer products segment, which may have gone into the red during the June period. And medical systems results are suffering from new product introduction costs, as well as the weaker dollar: North American Philips imports the majority of its therapeutic and diagnostic systems. In the June interim, share earnings were reduced by a larger than normal preferred dividend obligation to the company's Dutch parent, the result of a shortfall in the March quarter. We now expect North American Philips's share net for 1987 to come in slightly below the tally for 1986.

1988 promises to bring improvement for NAP . . . We expect consumer electronics results to record further gains as a result of cost reductions and easing price pressure on color TV prices. And the electrical and electronic components segment, which contributed over half of the company's 1986 operating profits, should continue to benefit from restructuring and the recovery in many areas of the electronics industry. Additionally, the scheduled retirement of $125 in convertible debt should reduce interest expense and help the bottom line despite the larger number of shares outstanding. Assuming no further deterioration in currently troubled segments, we estimate share earnings of $2.50 in 1988. **. . . But we'd look elsewhere for now.** These shares are likely to trail the market averages in the year ahead, in our opinion. And given the persistent drags on earnings growth, we've reduced our 3- to 5-year earnings projections. If N.V. Philips — the company's Dutch parent—gives its subsidiary a stake in its planned joint venture in medical systems with General Electric of Great Britain, North American Philips's currency exchange losses could be cut, though the timing of this and other possible moves by N.V. Philips is unclear. At the stock's current multiple, projected capital gains to 1990–92 are subpar.

Stephen H. Lipmann/Rudolph C. Carryl

(A) Primary egs, excludes net nonrecur. gains (losses): '84, 17¢; '85, (44¢); '86, (23¢). Excl. extraord. gains: '73, 5¢; '74, 3¢; '75, 2¢; '76, 6¢; charges: '71, 73¢; '72, 14¢. Incl. disc. opers.: '81, 94¢. Next egs. rep't due mid-Oct. (B) Next div'd meet'g about Sept. 10. Goes ex about Oct. 21. Approx. div'd payment dates: Jan. 1, Apr. 1, July 1, Oct. 1. (C) In mill., adj. for stock splits & dividends. (D) Fully diluted 3-5 yrs. hence.

Company's Financial Strength	A
Stock's Price Stability	70
Price Growth Persistence	60
Earnings Predictability	65

[illegible] decline of family [illegible] [illegible] (see [illegible] [illegible] [illegible] the changes [illegible] [illegible] [illegible] recovery [illegible] [illegible]

[illegible]

North Amer Philips

Price / Book

Co.				Industry Ave	
77	15.8 / 17.91	= .88		77	1.31
78	14.75 / 19.73	= .75		78	1.2
79	14.2 / 22.02	= .64		79	1.18
80	15.85 / 24.14	= .68		80	1.26
81	23.85 / 26.76	= .89		81	1.22
82	20.1 / 28.28	= .71		82	1.16
83	31.65 / 30.79	= 1.03		83	1.41
84	34.5 / 34.26	= 1.0		84	1.38
85	38.45 / 36.31	= 1.06		85	1.51
86	41.55 / 37.78	= 1.10		86	1.77
Co.		.87		Ind. Ave	1.34

Co Traded at 65% of Ind. total

Co. % earned on Total Capital		Industry Ave	
78	11.0 %	78	11.3 %
79	11.9	79	13.2 %
80	9.7	80	11.8
81	11.6	81	10.9
82	8.3	82	8.7
83	9.5	83	9.7
84	10.3	84	11.0
85	8.2	85	10.1
86	6.0	86	8.8
Co. Ave	9.61	Ind. Ave	10.61 %

90% of Aver.

No. Am. Phil

Co. % earned on Net Worth

Co.		Industrial Ave.	
'78'	13.3	78	14.2 %
'79'	14.3	79	16.7
'80'	11.8	80	14.6
'81'	14.2	81	13.5
'82'	9.4	82	10.2
'83'	11.3	83	11.5
'84'	13.4	84	13.4
'85'	9.0	85	12.3
'86'	6.8	86	10.8
	11.48%	Ave.	13.02

'88 of Industry

$$\frac{\text{T.D. Price}}{\text{Book Value}} \quad \frac{55^{50}}{36^{50}} = 1.44\%$$

Ind. Ave. 1.34

Thank you Mr. Chairman

and those of you who have stayed to the bitter end.

I shall be brief so we can all go home.

I represent myself and all the other individual tax payers who tend to fall through the legislative cracks.

I was even left off the list of those to appear.

From what I have heard so far, EVERYONE has missed the most basic and central point!

Our concern should be for the competitiveness of these United States in the ever expending world market place in which we live!

Not dwelling upon the possible loss of tax revenue and jobs of over paid executives.

Not to long ago I talked to the CEO of a multi-billion dollar forest products company on the subject before you.

He answer was brief and to the point.

"If anyone thinks they can do better, they are welcome to try".
I continue to buy more of this company.

I will NOT knowingly buy or own shares in any company with anti-take over provisions.

Such provisions are a clear admission by the incumbent management of their poor performance.

They are acknowledging the fact that some one else would probably produce a greater return of invested capital, create more jobs, and last but not least pay more income taxes.

Yesterday the CLAIM was made that the DuPont company is more effective as a single corporation than if divided up into 12 groups.

How do we know?

The evidence seems to indicate otherwise.

With anti take over legislation, we will never know, it becomes impossible to find out?

That is what the free enterprise system is all about - RISK

By passing any form of anti-take over legislation, you are attacking and limiting the very thing that has made this nation great, THE FREE ENTERPRISE SYSTEM.

With regard to the 85% and 2/3rd rules - we elect a United States President with substantially less then 50% of the disinterested voters.

You will agree that He influences a bit more then any management and their captive boards of directors.

It is ludicrous to think, as the bar association wants us to, that we can get 85%, even 66% of any modest group of Americans to agree to anything.

That is why our founding fathers had the wisdom to established a majority rule.

It is true that a small minority of the minority stockholders may be hurt.

It is also true that the biggest majority of that minority are the incumbent managements, often with less then 5% of the stock.

What are they afraid of?

Is preserving Their jobs worth restricting our competitiveness?

Having recently returned from adding 35,000 miles to nearly a million miles of world travel, including mostly political democracies, I can say one thing with certainty.

Economic democracy, the free enterprise system, is the foundation of our great Nation.

Do you really want to destroy it?

We Americans are unique in this world!

We can adapt, change, innovate, and compete with lightning speed when free to do so.

Do not shackle the entrepreneurial spirit of this Nation!

Anti-take over laws send a clear signal to the nation and the world, (and don't you think the Japanese are laughing) when the lawyers and legislators of this nation care not one wit for the encroaching destruction of our economic democracy?

Anti-take over laws are Un-American:

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The preserve the dictatorship of entrenched and un-competitive managements and their captive boards,

They encroach upon the free enterprise system,

They regulate and legalize the status quo.

Your choice is clear:

You are voting for or against the free enterprise system.

Let me leave you with this fact:

In a recent three year period

The "Fortune" 500 companies lost 3 million jobs,

while the nation benefited from 6 million additional jobs.

It is companies most like those on the "fortune" 500 that are subject to practically all hostile take overs.

Do you wish to encouraged competition or do you prefer the status quo?

The risk and rewards of the free enterprise system is what this is all about.

This is the question before you.

JIM LARSEN 1905 Orleans Rd., Wilm., DE. 19810-4038 (302) 475 7954

I will not knowing buy or own shares in a company with anti-take over provisions.

Such provisions are an admission by management that they are aware of their poor performance, an acknowledgement that some one else would probably produce a better return on assets, create more jobs and pay more income taxes.

Golden parachutes are a conspiracy on the part of Senior management and a captive board of directors to demand tribute of the stockholders; ransom used to keep control of the company that is not theirs to keep.

Green mail is theft and collusion, pure and simple, using the stockholders money to preserve their jobs and all to often pay themselves bonuses to boot, regardless of performance.

In this day, we find ourselves unable to compete in the world market in which we live. It is said that managers manage the status quo, leaders lead businesses by inspiration, example, and ability. Not one company subject to take over can claim that it was or is, without a management restructuring, competitive in our domestic market, let alone the world market. With dictatorial control, there is no incentive for an entrenched management to change their ways. Any form of anti-take over provisions removes all external forces which might prompt these absolute dictators to change their ways.

Regarding the legislation as it stands:

I will accept the three year wait if:

1. All lawyers, criminal or civil, will wait three years before collecting their fees.

2. All elected politicians will collect the salaries only after winning their next election.

Absurd? Is anyone in their right mind going to put tens of millions, hundreds of million of dollars into a company when the incumbent management has three years to run it into the ground?

With GM losing 15% of its market share while at the same time its board of directors approved the firing of T. Ross Perot, it is readily apparent that the boards are in bed with management, are often selected by the entrenched managements. If boards were truly independent, why is liability insurance for board members sky-rocketing?

While we elect a U.S. President with substantially less then 50% of the voters, the bar association wants a ludicrous 65% of the stockholders to agree. Getting 65% of any large group of Americans to agree on anything is impossible. That is why we have representative government and majority rule.

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It is true that a very small minority of minority stockholders might be hurt without anti-take over laws. It is also true that the vast majority of these minorities are the entrenched, dictatorial managements in collusion with their boards of directors.

Having traveled something approaching a million miles world wide, it is apparent to me that the one thing that has made these United States great, is economic democracy in conjunction with political democracy. Any form of anti-take over legislation destroys a major portion of this economic freedom.

My concern is not for the immediate votes gained by saving poorly managed companies and a few jobs, or for the few tax dollars lost, if any. Nore is it for the fees paid to lawyers. I am greatly concerned for the long term economic health of the nation, the ability to compete, to create jobs, to earn more and pay more taxes. Anti-take over laws send a very clear signal to the nation - that the politicians and lawyers of this nation care not one wit for the encroaching destruction of our economic democracy.

Anti-take over laws are UN-AMERICAN. They preserve the dictatorship of entrenched management, they encroach upon the free enterprise system, they regulate and legalize the status quo, we are comdemed to a "do nothing" society.

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15 January, 1988

Letters to the Editor
The News Journal
831 Orange Street
Wilm., De. 19899

Let us call the anti-take over legislation before our Legislature for what it is, PURE GREED! The governor fears the loss of tax revenues, the lawyers their fat fees and the managers of take over targets the loss of their fat pay checks.

As a stockholder of many years, I will not knowingly own or buy stock in a company with anti-takeover by-laws. It is a sure sign that the managers know full well that they are not doing a good job, that they will be quick to waste the stockholders assets on green mail, poison pills, and golden parachutes for themselves, that they are not capable of producing a satisfactory return on the stockholders assets. And last but not least, such managers can perpetuate their own kind indefinitely. When, instead, they should be devoting such resources to improving their competitiveness, creating jobs, paying more taxes on higher earnings and last but not least offering better quality products or services.

Anti-takeover legislation appeals to the politicians for the votes it may bring them. However, it takes away from the stockholders the right to vote for or against an inept, if not incompetent management. It is un-American, for it guarantees management a lifetime job, with fat pensions and more often then not, fat bonuses regardless of performance. At least the politicians must go before the voters periodically for the stamp of approval.

GM is is a perfect example. They are un-able to compete and while losing 15% of their usual market share, fired T. Ross Perot, a man of proven ability, then vote themselves fat bonuses. Meanwhile, Ford, on a much smaller market share, paid more taxes on higher earnings, producing higher quality autos. GM is protected from take-over by sheer size.

Must we politically legislate protection for other economically inept, if not incompetent managers? Can our great American free enterprise system tolerate this greedy attack and eventual destruction by self-serving politicians, fee hungry lawyers, and managers more interested in the jobs then the economic health and welfare of our this great Nation? The great economic machine that has produced so much for so many of us has been, until now, based upon performance. He who is willing to risk his money and his reputation because he thinks he can do better for the stockholders, the workers, and the nation must be allowed to try. At the very least the stockholders must retain their stamp of approval, or disapproval. After all, they not the managers own the company.

Your humble and obedient servant, Signed Jim Larsen

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of Economics, University of Delaware.

Chairman, Mr. Sharp, Members of the Committee + Legislators.
I'm here to speak on behalf of a group of ten economics + finance faculty at the University of Delaware. I also have a few comments of my ow on the "House Substitute" bill that we received over the weekend. + Gil Sparks was kind enough to discuss with the UD economics + finance faculty this wee

We read over the Bar Association Committee's explanation of the bill: it claims that the bill is addressed at what we agree is potentially a serious problem: when a tender offer is mad stockholders who may oppose the offer know th if the offer succeeds, they may lose out. Th new management — a corporate raider — may try to "expropriate" the minority, or run the company in some crazy way.

So shareholders all tend to sell out to the takeover bidder, whether or not they believe it is a good offer. In a sense — all tender offe

are necessarily two-tier offers. You can take what you're offered, or you can get stuck with "a pig in a poke."

That's a theoretical possibility. But there['s] an authoritative survey of the hundreds of s[tudies] on takeovers, Jensen + Ruback. It finds tha[t] the problem described here basically doesn't exis[t].

They find 3 things:

(1) There are big gains from takeovers — [...] gain to acquired firm — but virtually all of [the] gains go to the acquired firm's stockholders. [The] company that does the taking over ~~[illegible]~~ on aver[age] comes out even, or even slightly behind. [So] there's no more money available to be squ[eezed] out in higher bids.

(2) Shareholders who sell out do better than those who hold on. But

(3) shareholders who do not sell, still get mor[e] than ~~those~~ the price before the tender offer. N[ot] a lot, but some more. So the offers are two-[tier]

but there's not any extra profits available to ↑ the value to the second tier.

Now, if the rush to get-out-first is the problem, it's not hard to solve. Make it impossibl for the corporate raider to expropriate the minority. Gil Sparks pointed out that assessing fair value is complicated. Why not say that, for hostile takeovers, fair value is defined as at least 90% of the price paid to those who sold out, in cash, at the shareholder's option, for 3 years after a merger. That solves the problem — quite directly. And there are plenty of other ways of solving the expropriat problem.

But the actual bill doesn't solve the problem the Bar Committee describes. It doesn't protect minori shareholders, rather it creates a kind of barrier to hostile takeovers. We want to point out that hostile takeovers generally — not always —

are aimed at poor management. The goal is t
reorganize the firm + run it more efficiently.

Now, what does poor management mean?
Sometimes, sloppy, lazy managers who take it
easy, build themselves corporate palaces to live in.
But there's a second category: where managem
chooses a poor policy + carries it out efficie

An example. I'm no friend of T. Boone Pic
But he's been claiming that the price of oil wo
fall, say to $15-20 a barrel, + so exploration w
a big mistake. Firms like Unocal thought oil
prices were going to $35-40, + put money into
exploration. Every manager likes to think his
industry is doing well + will grow. But here Pick
was right, + Unocal was wrong.

Often, hostile takeovers mean combining
the operations of several firms. If there's a
poorly managed steel company, who's likely t
notice, + say, "I could do better?"

Usually, a better-managed steel company. You don't expect a pizza chain, or a New York financier to know how to run it better.

And often the goal is to combine the well-managed firm + the poorly managed firm.

Texas Air/Continental bought People Express, + combined their operations. LTV bought National + Youngstown Sheet + Tube, closed down inefficient steel mills that both had, + merged the operations. Chevron closed down many of Gulf's facilities + some refineries.

Under the bill we have here, if < 85% of the stock is gained in a hostile bid, that kind of efficiency gain is prohibited for 3 years.

Now, if your organization were sure to get the axe in 3 years, would you hang around. So, if a firm is taken over with < 85% of the stock the firm is likely to collapse or fall apart (if it's in this category of merger).

The goal of such a rule is to scare world-b[...] takeover artists: they have to leap over, not a [...] barrier, but a kind of alligator pit, to get f[...] operational control of the firm. If they end [...] in the alligator pit — with >50% but <85% of the st[...] they will get devoured + will lose a lot of mon[...] as their firm falls apart.

That approach is very contrary to the pri[...] of Delaware corporate law — which is to increa[...] the efficiency of firms. This bill creates a re[...] chance of terrible inefficiency.

The Bar Association committee realized [...] that's why the bill is so long. They realized th[...] terrible results if the bill's provisions came into play. So they put (6 ladders in the alligator pit — ways to get out (6 not 7 — Section 6 — 6 ted TP) Gil Sparks says they aren't too hard — you'd only lose maybe an arm or a leg, usually

before you got out of the pit + could operate the firm to maximize value.

Why write a law in this crazy way? I think that some major corporations were afraid of takeovers — maybe the management is inefficient, or is taking controversial policies. Instead of looking for a fair bill, they tried to ban virtually all unfriendly takeovers. We believe that is a mistake — + oppose the bill.

We suggest that an opt-in type of law makes more sense — but let firms try out different <u>specific</u> rules, + see how they work. This opt-in allows only <u>one</u> kind — 85% - 15%. Why not allow 80% + 20% as an option? But we view the bill as fundamentally aimed wrong — it should be aimed at protecting minority shareholders, <u>not</u> creating inefficient firms.

If I have a minute I'd like to respond to 2 questions asked of earlier lawyer witnesses.

(1) Pensions. Will they be affected? Well, there are many defined-payment pensions, where how much you get depends on the value of the stock market. All faculty are in this spot — TIAA-CREF.

(2) Would the bill ↑ or ↓ price of tender offers?

First effect: ↑ price to get 85% → a higher hurdle.

2nd effect: fewer people can make competing offers + push the price up. So less reason to wait or hold o

But — main effect — very few offers, including fr "friendly" offers — they have been backed up by the threat of a hostile offer.

Finally please look the bill over carefully — section

I found a flaw in exit #6 — it said

that ~~we~~ a firm could opt out by a voted + majority of the board, ~~of trustees~~. (meant - prior to the takeover)