

May 23, 1978

To Our Clients:

Takeovers: Application
of State Takeover Laws

In Commonwealth v. Esselte, AB, Civ. No. 25079 (Dist. Ct. E. Norfolk, Mass. May 22, 1978), the California target with its principal executive offices in California argued for the applicability of the Massachusetts takeover statute on the ground that it was basically a holding company and the real targets of the takeover were its wholly-owned operating subsidiaries which had their principal places of business in Massachusetts. Primarily on the basis that the legislature did not enact a version of the takeover statute that would have covered a company with substantial assets in the state, the Court interpreted the Massachusetts statute, which defines a "target" company as one either incorporated in or with its principal place of business in Massachusetts, as not being applicable to the indirect takeover of a Massachusetts subsidiary no matter how substantial the subsidiary and no matter how substantial a portion of the parent's assets is represented by the subsidiary.

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