

May 29, 1987

To Our Clients:

RESTRUCTURING

The Harcourt Brace and Allegis restructurings announced this week are evidence of the rapidly growing trend. Restructuring to reduce or eliminate the gap between bust-up value and market price is the only way to satisfy today's institutional investors. Failure to recognize the gap and restructure attracts raiders.

It is clear that we are in a new phase of the takeover frenzy. A company that is vulnerable should restructure before it is forced to. Restructuring after a raider appears is far more destructive of the business.

The levels of leverage that result from restructuring may be very dangerous, but one must be realistic and pragmatic to survive in the current environment.

M. Lipton