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To Our Clients

Takeovers; An Update

The principal merger activity continues to be strategic and focused on the healthcare, defense, financial services and telecommunications-media industries. In each industry there is a fundamental technological or regulatory reason motivating the merger activity. And in each industry each merger creates significant pressure on the other companies in that industry to merge in order to remain competitive.

To date, the strategic merger activity has been, in large measure, negotiated rather than hostile. There is more than ample bank financing for even the largest transactions. The equity markets have been receptive and in general even dilutive acquisitions have not had a significant impact on the acquiror's stock.

There has not been a comparable increase in financially motivated takeovers. The availability of debt financing and the accommodating equity markets presage some increase in financially motivated deals, but not anything close to the level of activity in the 1980's.

Activist institutional investors have been a significant factor in a number of recent takeovers and their ability to pressure a board of directors has effected a major change in takeover dynamics and takeover defense tactics.

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