

**TELEDYNE, INC.**  
**\$20,000,000 PRINCIPAL AMOUNT**  
**10% SUBORDINATED DEBENTURES DUE 2004, SERIES A**  
**IN CONNECTION WITH AN EXCHANGE OFFER**  
**TO HOLDERS OF COMMON STOCK**

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**DESCRIPTION OF TRANSACTION**

The description of the Exchange Offer in the Company's Exchange Circular dated June 4, 1974, is hereby incorporated by reference.

The Debentures will be issued under an Indenture dated as of June 1, 1974, between the Company and Union Bank of Los Angeles, as Trustee. The principal of and interest on the Debentures shall be payable and the Debentures shall be registerable, exchangeable and transferable at the said Union Bank, the Agency of the Company maintained for that purpose in Los Angeles, California (or, at the option of the holder, at its office or agency in the Borough of Manhattan, City of New York). The New York Authenticating Agent for the Debentures is First National City Bank.

The Debentures shall be registered Debentures without coupons in denominations of \$100 and \$1,000 or in multiples thereof. They are exchangeable for other denominations.

**RECENT DEVELOPMENTS**

There have been no important recent developments in the business or condition, financial or otherwise, of the Company which have not received publicity.

**AUTHORITY FOR ISSUANCE**

The Executive Committee of the Board of Directors of the Company on May 30, 1974, adopted by unanimous consent resolutions authorizing the issuance of the Debentures. No further corporate authorization is necessary.

**OPINION OF COUNSEL**

The opinion of Phillip H. Muir, Esquire, counsel for the Company, filed in support of this application, is to the effect that the Debentures have been duly authorized and are, or will be, legal, valid and binding obligations of the Company and entitled to the benefits of the Indenture under which the Debentures are issued. The opinion further states that pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended (the "Act"), the Debentures to be issued are not required to be registered under the Act since the Debentures are being exchanged exclusively with existing security holders of the Company.

The Indenture dated as of June 1, 1974, has been qualified under the Trust Indenture Act of 1939. Application for registration of the Debentures has been made on Form 8-A pursuant to the Securities Exchange Act of 1934.

TELEDYNE, INC.

THEMISTOCLES G. MICHOS  
Secretary

**B-4287**

**Page 2 — Teledyne, Inc.**

The New York Stock Exchange, Inc. hereby authorizes the listing of \$20,000,000 principal amount of 10% Subordinated Debentures Due 2004, Series A of Teledyne, Inc., upon official notice of issuance and satisfactory evidence of distribution pursuant to an exchange offer for shares of the Company's Common Stock.

MERLE S. WICK, *Vice President*  
Division of Stock List

JAMES J. NEEDHAM, *Chairman of the Board*  
New York Stock Exchange, Inc.



June 4, 1974

To: Holders of Common Stock of  
Teledyne, Inc.

Teledyne, Inc. (the "Company"), is offering to issue its 10% Subordinated Debentures Due 2004, Series A (the "Debentures"), in exchange for up to 1,000,000 shares of the Company's Common Stock. This letter summarizes certain significant aspects of the Exchange Offer. *A complete description of the terms of the Exchange Offer appears in the accompanying Exchange Circular, which you are urged to read carefully.*

#### RATE OF EXCHANGE AND NUMBER OF SHARES ACCEPTED

The Company will issue \$20 principal amount of its Debentures for each share of the Company's Common Stock duly tendered pursuant to the Exchange Offer and accepted by the Company. Based on current market prices prevailing in the bond market generally, the Debentures may trade after issuance at prices below face amount. Holders of Common Stock are urged to consult with their investment advisers as to the prices at which the Debentures can be expected to trade.

The Company intends to apply for listing of the Debentures on the New York Stock Exchange, but listing will depend in part on the total amount of Debentures issued and the distribution of the Debentures.

The Company will accept any and all duly tendered shares up to 1,000,000 shares, provided no fewer than 100,000 shares are tendered. If more than 1,000,000 shares are tendered, the Company reserves the right, but will not be obligated, to accept some or all of the shares tendered in excess of 1,000,000. There were 22,224,659 shares of Common Stock outstanding at April 30, 1974.

If more than 1,000,000 shares of Common Stock have been duly tendered by 3:00 P.M. Pacific Time on July 2, 1974, and the Company does not accept all such shares, shares duly tendered prior to that time will be accepted on a pro rata basis. If the Exchange Offer is extended beyond July 2, 1974, all shares tendered prior to that time will be accepted. If fewer than all shares tendered after July 2, 1974, are accepted, such shares will be accepted on a pro rata basis.

#### DURATION OF THE EXCHANGE OFFER

The Exchange Offer will expire at 3:00 P.M. Pacific Time on July 2, 1974, unless extended by the Company from time to time.

#### HOW TO TENDER

The shares of the Company's Common Stock which you wish to tender should be transmitted, along with a Letter of Transmittal properly completed and signed, to the Exchange Agent or the Forwarding Agent at the addresses given below so as to be received by the Exchange Agent or Forwarding Agent prior to the expiration of the Exchange Offer.

A tender may be made without the concurrent deposit of shares of the Company's Common Stock if such tender is made by or through a member firm of any national securities exchange or the National

Association of Securities Dealers, Inc., or a commercial bank or trust company located in the United States, and a Letter of Transmittal is received by the Exchange Agent or Forwarding Agent guaranteeing delivery of the shares to be tendered. A tender may also be made by having such a member firm, commercial bank or trust company transmit to the Exchange Agent or Forwarding Agent a telegram or letter containing such a guarantee. For further information, see "How to Exchange" in the Exchange Circular.

Tendered shares of Common Stock may be withdrawn prior to 3:00 P.M. Pacific Time on Tuesday, June 11, 1974, but thereafter all tenders, whenever made, will be irrevocable until August 3, 1974. If the Company has not accepted such shares for exchange by that date, they may be withdrawn.

#### COMPARISON OF SECURITIES

A comparison of the Debentures and the Company's Common Stock is set forth in the Exchange Circular under "Comparison of Securities". A description of the terms of the Debentures and the Company's Common Stock appears in the Exchange Circular under "Description of Debentures" and "Description of Common Stock".

The annual interest payable on \$100 principal amount of Debentures is \$10.00. No cash dividend is currently being paid on the Common Stock.

#### TAX EFFECTS OF THE EXCHANGE OFFER

The exchange will be a taxable transaction. Information as to the Federal income tax effects of the Exchange Offer is set forth in the Exchange Circular under "Income Tax Consequences".

#### CONDITIONS OF OFFER

See "Conditions of Offer" in the Exchange Circular for information as to certain conditions of the Exchange Offer.

#### EXCHANGE AND FORWARDING AGENTS

The Exchange Agent for the Exchange Offer is Bank of America National Trust and Savings Association and the Forwarding Agent is United States Trust Company. All correspondence sent to the Exchange Agent or Forwarding Agent in connection with the Exchange Offer should be addressed to:

EXCHANGE AGENT  
Bank of America National Trust  
and Savings Association  
Corporate Agency Center  
P. O. Box 37002  
San Francisco, California 94137

FORWARDING AGENT  
United States Trust Company  
of New York  
Stock Transfer, 3rd Floor  
130 John Street  
New York, New York 10038

#### IF YOU NEED ASSISTANCE

Questions and requests for assistance or for additional copies of the Exchange Circular and the Letter of Transmittal should be directed to the Exchange Agent or to the Forwarding Agent. PLEASE DO NOT CONTACT TELEDYNE.

Sincerely yours,

TELEDYNE, INC.



**OFFER TO EXCHANGE**

**10% SUBORDINATED DEBENTURES**

**DUE 2004, SERIES A**

**FOR SHARES OF COMMON STOCK**

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**This Offer Expires July 2, 1974**

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June 4, 1974

Teledyne, Inc., a Delaware corporation (the "Company"), hereby offers to exchange the Company's new 10% Subordinated Debentures Due 2004, Series A (the "Debentures"), for up to 1,000,000 shares of Common Stock of the Company (see "EXCHANGE TERMS").

Under the terms of this Exchange Offer, the Company will issue \$20 principal amount of the Debentures for each share of Common Stock of the Company duly tendered and accepted by the Company. There is at present no established market for the Debentures. The Company anticipates that the Debentures will trade in the over-the-counter market after issuance. Based on current market prices prevailing in the bond market generally, the Debentures may trade after issuance at prices below face amount. Holders of Common Stock are urged to consult with their investment advisers as to the prices at which the Debentures can be expected to trade. The Company intends to apply for listing of the Debentures on the New York Stock Exchange, but listing will depend in part on the total amount of Debentures issued and the distribution of the Debentures.

This Exchange Offer will expire at 3:00 P.M. Pacific Time on July 2, 1974, unless extended by the Company. The Company reserves the right to extend this Offer at any time and from time to time.

The Company will accept any and all duly tendered shares up to 1,000,000 shares, provided no fewer than 100,000 shares are tendered. If more than 1,000,000 shares are tendered, the Company reserves the right, but will not be obligated, to accept some or all of the shares tendered in excess of 1,000,000. (See "EXCHANGE TERMS" at page 4 below.) There were 22,224,659 shares of Common Stock outstanding at April 30, 1974.

Tendered shares of Common Stock may be withdrawn at any time prior to 3:00 P.M. Pacific Time on June 11, 1974. Thereafter, no tendered shares may be withdrawn, and all tenders, whenever made, will be irrevocable until August 3, 1974. If the Company has not accepted such shares for exchange by that date, they may be withdrawn.

Interest will accrue on the Debentures from June 1, 1974.

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## COMPARISON OF SECURITIES

The following table sets forth the principal differences between the Debentures and the Common Stock of the Company. The terms of both securities are described in greater detail below under "Description of Debentures" and "Description of Common Stock".

### Debentures

Interest is paid on the Debentures semi-annually at the annual rate of 10% of the outstanding principal amount. The annual interest payable on \$100 principal amount of Debentures is \$10.00. Interest payments on the Debentures are fixed obligations of the Company and failure to make such payments when due would entitle holders of 25% of the Debentures (or the Trustee) to declare the entire principal of such Debentures to be immediately due.

In the event of liquidation or insolvency, payment of principal and interest on the Debentures will be senior to the payment of claims of holders of the Company's Preferred Stock and Common Stock (and subordinate to senior debt and the payment of claims of certain creditors). (See "Description of Debentures — Subordination".)

The Debentures represent a fixed obligation of the Company to pay 5% of the principal amount annually to the Sinking Fund commencing on June 1, 1994, and ending June 1, 2003.

The Debentures are redeemable at the Company's option at any time at 100% of principal amount plus accrued interest.

Interest is taxable to the recipient upon receipt.

Holders of Debentures will not be entitled to any voting rights (except in limited circumstances pertaining to the Debentures).

### Common Stock

The Company has never paid, and does not currently pay, cash dividends on its Common Stock. The Company has in recent years paid annually a 3% stock dividend.

In the event of liquidation or insolvency, each share of Common Stock will share ratably in the assets remaining after all claims of creditors and liquidation preferences of the Company's outstanding shares of Preferred Stock have been paid.

The Common Stock is an equity security which the Company has no obligation to retire in whole or in part.

The Common Stock is not redeemable.

Stock dividends are taxable to the recipient only at such time as the share interests representing same are sold.

Holders of Common Stock are entitled to one vote per share upon all matters on which shareholders generally have a vote.

## THE EXCHANGE OFFER

### EXCHANGE TERMS

The Company hereby offers to exchange \$20 principal amount of Debentures for each share of its Common Stock duly tendered prior to termination of this Exchange Offer, all subject to the terms and conditions set forth herein and in the Letter of Transmittal.

All shares of Common Stock of the Company, up to 1,000,000 shares, properly tendered will be accepted for exchange, provided a minimum of 100,000 shares are tendered. If more than 1,000,000 shares are tendered, the Company reserves the right, but will not be obligated, to accept some or all of the shares tendered in excess of 1,000,000. If more than 1,000,000 shares of Common Stock have been duly tendered by 3:00 P.M. Pacific Time on July 2, 1974, and the Company does not accept all such shares, shares duly tendered prior to that time will be accepted on a pro rata basis. If the Exchange Offer is extended beyond July 2, 1974, all shares tendered prior to that time will be accepted. If fewer than all shares tendered after July 2, 1974, are accepted, such shares will be accepted on a pro rata basis.

Tendered shares of Common Stock may be withdrawn prior to 3:00 P.M. Pacific Time on Tuesday, June 11, 1974, and unless theretofore accepted by the Company for exchange, after August 3, 1974.

The Exchange Offer is being made to all holders of Common Stock of the Company, including officers or directors of the Company. As of May 31, 1974, it had not been determined how many shares, if any, will be tendered by officers or directors.

### HOW TO EXCHANGE

Any holder of Common Stock may tender his shares by completing and executing the Letter of Transmittal and forwarding the Letter of Transmittal, together with his stock certificates, to the Exchange Agent or Forwarding Agent named in the Letter of Transmittal. **Do not send Letters of Transmittal or certificates to the Company.**

If tendered shares of Common Stock are registered in the name of a person other than the signer of the Letter of Transmittal, the tendered certificates must be endorsed or accompanied by stock powers signed by the registered owner with the signature on the endorsement or stock power guaranteed by a commercial bank or trust company located in the United States or by a member firm of any national securities exchange or the National Association of Securities Dealers, Inc.

Tenders may be made without the concurrent deposit of Common Stock certificates if such tenders are made by or through member firms of any national securities exchange or the National Association of Securities Dealers, Inc., or by commercial banks or trust companies located in the United States. In such cases the Letter of Transmittal, which must be received by the Exchange Agent or Forwarding Agent prior to the final Expiration Date (see "DURATION OF EXCHANGE OFFER" below), must contain a guarantee that the tendered Common Stock certificates (to the extent accepted by the Company) will be deposited within eight business days after the expiration of this Offer, and the Letter of Transmittal should recite the serial numbers of the tendered certificates. If a shareholder desires to accept this Exchange Offer and time will not permit his Letter of Transmittal to reach the Exchange Agent or Forwarding Agent before the appropriate date, his tender may be effected if the Exchange Agent or Forwarding Agent has received prior to the expiration of this Exchange Offer a telegram or letter from such member firm, bank or trust company setting forth the name of the tendering shareholder, the number of shares of Common Stock tendered and (if available) the names in which the shares



being tendered are registered and the serial numbers of the certificates to be tendered, and stating that the tender is being made thereby and guaranteeing that within eight business days after expiration of this Exchange Offer the Common Stock certificates (to the extent accepted by the Company), together with the Letter of Transmittal (and any other required documents), will be deposited by such member firm, bank or trust company with the Exchange Agent or Forwarding Agent.

Unless the certificates being tendered by either of the methods described in the two preceding paragraphs are deposited with the Exchange Agent or Forwarding Agent within eight business days after expiration of this Exchange Offer (accompanied by a properly completed Letter of Transmittal unless previously delivered), the Company may, at its option, reject such tender. Issuance of Debentures in exchange for Common Stock tendered pursuant to either of the methods described in the two preceding paragraphs will be made only against deposit of the tendered certificates. In all other cases the Letter of Transmittal must be accompanied by the tendered certificates.

A tender will be deemed to have been accepted by the Company only when the tendering shareholder's duly signed Letter of Transmittal, or a telegram or letter (as provided above) from a member firm of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company located in the United States, is received by the Exchange Agent or Forwarding Agent.

Any number of shares of the Company's Common Stock may be tendered. A tendering shareholder may tender fewer than all of the shares represented by the certificates he holds by appropriately marking the Letter of Transmittal accompanying his tendered Common Stock certificates.

#### DURATION OF EXCHANGE OFFER

The Exchange Offer will expire on July 2, 1974, at 3:00 P.M. Pacific Time, or at that time on any later date to which the Exchange Offer may from time to time be extended. All shares tendered on or before 3:00 P.M. on July 2, 1974, which the Company accepts under the terms of the Exchange Offer will be accepted as of such date. If the Exchange Offer is extended, all shares tendered after July 2, 1974, which are accepted under the terms of the Exchange Offer will be accepted as of the Expiration Date of the period to which the Exchange Offer has then been extended. Each date on which the original period of the Exchange Offer or any extension thereof expires shall be referred to herein as an Expiration Date.

#### TENDERED COMMON STOCK

Acceptance of tendered Common Stock will not be made before the applicable Expiration Date. Although there is no obligation, it is contemplated that tendered stock which is not tendered in proper form will be held by the Exchange Agent or Forwarding Agent and a correction letter forwarded to the tendering shareholder.

If the tender is not put in proper form by the final Expiration Date, or the defect therein is not waived by the Company, then the improperly tendered stock will be returned, without cost, by the Exchange Agent or Forwarding Agent to the tendering shareholder as soon as practicable. Until acceptance by the Company, ownership of tendered shares of Common Stock will remain in the tendering shareholders unimpaired except for the Company's right to acquire such ownership under the Exchange Offer.

#### DENOMINATIONS AND FRACTIONAL INTERESTS

No Debentures in principal amounts other than \$100 and \$1,000 or in multiples thereof will be issued pursuant to this Exchange Offer. If the number of shares accepted from a tendering shareholder is not evenly divisible by five, any remainder after division by five will be paid for in cash at the rate of \$20 per share.

#### DELIVERY OF DEBENTURES

Delivery of Debentures to exchanging shareholders will be made as soon as practicable after the applicable Expiration Date, provided the Exchange Agent or Forwarding Agent has duly received the Letter of Transmittal accompanied by certificates for shares being tendered. All deliveries will be made through the Exchange Agent.

#### PAYMENT OF INTEREST

Interest will accrue on the Debentures from June 1, 1974.

#### TRANSFER TAXES

The Company will pay all transfer taxes applicable to the transfer to it of shares of Common Stock exchanged under the Exchange Offer, except that a tendering shareholder will bear any taxes which are payable because Debentures are to be issued in a name other than the name in which the Common Stock is registered.

#### CONDITIONS OF OFFER

The Company may withdraw this Exchange Offer at its option at any time if any legal action or administrative proceeding which affects the Exchange Offer is instituted or, in the opinion of its counsel, threatened against the Company.

#### EXCHANGE AGENT AND FORWARDING AGENT

The Exchange Agent for the Exchange Offer is Bank of America National Trust and Savings Association and the Forwarding Agent is United States Trust Company. All correspondence sent to an Exchange Agent or Forwarding Agent in connection with the Exchange Offer should be addressed to:

Bank of America National Trust  
and Savings Association  
Corporate Agency Service Center  
P. O. Box 37002  
San Francisco, California 94137

United States Trust Company  
Stock Transfer, 3rd Floor  
130 John Street  
New York, New York 10038

#### FEDERAL INCOME TAX STATUS ON EXCHANGE

In the opinion of counsel for the Company, the Federal income tax consequences to each shareholder who exchanges shares of Common Stock of the Company for Debentures pursuant to the Exchange Offer are as follows:

(a) The exchange will be a taxable transaction.

(b) Taxable gain or loss (which will be a capital gain or loss if the Common Stock is a capital asset in the hands of the shareholder) will be recognized to the extent that the fair market value of the Debentures received (plus cash received in lieu of fractional interests in Debentures) exceeds, or is less than, the basis of the Common Stock surrendered, provided that the distribution of the Debentures upon the exchange is not essentially pro rata among the shareholders of the Company.

(c) The basis of Debentures in the hands of an exchanging shareholder will be their fair market value at the time of the exchange, and the holding period for the Debentures will commence on the day following the exchange.

It is suggested that shareholders consult with their own tax counsel concerning the consequences of their tendering shares pursuant to the Exchange Offer and the application of Federal income tax rules to their particular circumstances.

### EFFECT OF EXCHANGE OFFER

#### PRO FORMA CAPITALIZATION

The following table sets forth the capitalization of the Company and its consolidated subsidiaries at April 30, 1974, adjusted to reflect the pro forma effect, based on the assumption set forth in Note 1 below, of the Exchange Offer.

	Before Exchange	Pro Forma After Exchange(1)
<b>CAPITAL STOCK (Expressed in Shares):</b>		
Preferred Stock, \$1 par value:		
Authorized.....	15,000,000	15,000,000
Outstanding:		
\$6 Cumulative Convertible Preferred Series.....	517,336	517,336
Cumulative Convertible Preferred Series B(2).....	164,519	164,519
Common Stock, \$1 par value:		
Authorized.....	60,000,000	60,000,000
Outstanding(2)(3).....	22,224,659	21,224,659
<b>LONG-TERM DEBT:</b>		
7½% Term Notes due 1982, \$15,000,000 payable annually commencing in 1979.....	\$ 75,000,000	\$ 75,000,000
6¼% to 6½% Notes due 1976 to 1979.....	50,356,000	50,356,000
Variable Rate (currently 10½%) Notes due 1975.....	60,000,000	60,000,000
7¼% Notes due 1979 to 1988.....	31,264,000	31,264,000
7⅞% Sinking Fund Debentures due 1994, \$1,400,000 payable annually commencing in 1975.....	25,477,000	25,477,000
6½% Sinking Fund Debentures due 1992, \$1,350,000 payable annually.....	20,119,000	20,119,000
7% Promissory Notes due 1989, \$1,500,000 payable annually.....	22,750,000	22,750,000
Other (including \$10,002,000 secured by land and buildings) due in various installments to 1986.....	19,039,000	19,039,000
	<u>\$304,005,000</u>	<u>\$304,005,000</u>
<b>SUBORDINATED DEBENTURES:</b>		
3½% Convertible Debentures due 1992, \$3,000,000 payable annually commencing in 1978.....	\$ 49,420,000	\$ 49,420,000
6½% Debentures due in annual installments from 1979 to 1983.....	35,250,000	35,250,000
7% Debentures due 1999, \$1,871,000 payable annually commencing in 1989.....	36,807,000	36,807,000
10% Debentures due 2004, Series A.....	—	20,000,000
	<u>\$121,477,000</u>	<u>\$141,477,000</u>

(See Notes on next page)

## NOTES TO CAPITALIZATION TABLE

- (1) Amounts in the Pro Forma After Exchange column assume that this Exchange Offer is 100% subscribed and that the Company does not exercise its right to accept more than 1,000,000 shares of Common Stock.
- (2) Excludes shares held in treasury by the Company consisting of 10,000 shares of Series B Preferred Stock and 10,114,986 shares of Common Stock.
- (3) Common Stock outstanding does not include 972,385 shares reserved for exercise of employee stock options; 87,377 shares reserved for issuance under an employees' stock purchase plan; 1,000,607 shares reserved for conversion of convertible subordinated debentures; 1,112,753 shares for conversion of preferred stock; 1,527 shares reserved for exercise of a warrant expiring January 20, 1976; and 383,168 shares reserved for exercise of warrants expiring October 1, 1978.

## MARKET QUOTATIONS OF COMMON STOCK

The following table, based on published reports, sets forth the high and low sales prices of the Common Stock on the New York Stock Exchange for the period from January 1, 1971 through May 30, 1974. On May 30, 1974 (the last trading day prior to announcement of the Exchange Offer), the closing price of the Company's Common Stock on the New York Stock Exchange was 10 $\frac{3}{4}$ .

	<u>High*</u>	<u>Low*</u>
1971.....	31 $\frac{3}{8}$	14 $\frac{1}{8}$
1972.....	27 $\frac{1}{4}$	15 $\frac{3}{8}$
1973.....	19 $\frac{7}{8}$	9 $\frac{1}{2}$
1974 (through May 30, 1974).....	14 $\frac{1}{2}$	10 $\frac{3}{4}$

\* The above prices have been adjusted to reflect 3% Common Stock dividends distributed in 1971, 1972, 1973 and 1974.

Pursuant to an Offer to Purchase which commenced September, 1972 and terminated October, 1972, the Company purchased 8,880,336 shares of Common Stock for \$20 per share cash.

Pursuant to an Offer to Purchase which commenced December, 1973 and terminated January, 1974, the Company purchased 1,645,952 shares of its Common Stock for \$14 per share cash. During the period reflected in the table above, the Company has purchased shares of its stock on the open market and may continue to make such purchases on the open market from time to time in the future.

## DESCRIPTION OF DEBENTURES

The Debentures are to be issued under an Indenture dated as of June 1, 1974, between the Company and Union Bank of Los Angeles, California, as Trustee. The following statements are brief summaries of certain provisions contained in the Indenture and do not purport to be complete. They are subject in all respects to the provisions of the Indenture, including the definition of certain terms used herein without definition. Copies of the Indenture are on file at the offices of the Company and the Trustee.

## FORM

The Debentures are issuable only as registered debentures without coupons, in denominations of \$100 and \$1000 and in multiples thereof. All Debentures must bear a certificate of authentication executed by the Trustee. The Debentures will be unsecured obligations of the Company.

There is no limit as to the aggregate principal amount of Debentures which may be issued from time to time under the Indenture or under any other individual series of debentures issued under the Indenture. An unlimited number of series of debentures may be issued under the Indenture. Holders of all debentures, including Series A Debentures, issued under the Indenture will be included in the same class as all other holders of the debentures issued under such Indenture for the purpose of ascertaining all rights and obligations arising under such Indenture.

## MATURITY AND INTEREST; TRANSFER OF DEBENTURES

The Debentures will bear interest at the rate of 10% per annum, and will mature on June 1, 2004, with interest payable semiannually on June 1 and December 1 in each year. Interest on the Debentures is payable to the persons in whose names they are registered on the preceding May 15 or November 15. Principal and interest will be payable, and the Debentures will be transferable at the office or agency of the Company in Los Angeles, California or New York, New York. Interest on the Debentures issued pursuant to this Exchange Offer will accrue from June 1, 1974.

## SINKING FUND

The Company is to pay into a Sinking Fund for the Debentures before June 1 of each of the years 1994 to 2003, inclusive, not less than 5% of the aggregate principal amount of Debentures issued at 100% of the principal amount thereof. The Company may, at its option, receive a credit against its Sinking Fund obligations for Debentures optionally redeemed or purchased by the Company in the open market.

## REDEMPTION

The Debentures are redeemable at the option of the Company at any time, as a whole or from time to time in part, at a redemption price equal to 100% of principal amount together with accrued interest to the redemption date. Between 30 and 60 days prior to a proposed redemption date, the Trustee is required to mail a notice of redemption to the registered holders of all Debentures to be redeemed.

## SUBORDINATION

The Debentures will be subordinated as to principal and interest to all Senior Debt. The term "Senior Debt" is defined to mean the principal of (and premium, if any) on the following:

(a) The Company's outstanding 6½% Sinking Fund Debentures due March 1, 1992, issued pursuant to an Indenture dated March 1, 1967;

(b) The Company's outstanding 7⅞% Sinking Fund Debentures due May 1, 1994, issued pursuant to an Indenture dated May 1, 1969;

(c) The Company's Notes to Aetna Life Insurance Company issued October 29, 1968 and due January 15, 1989;

(d), (e), (f) and (g) The Company's Notes to Phoenix Mutual Life Insurance Company, American National Insurance Company, Northwestern National Life Insurance Company and Guarantee Mutual Life Company, respectively, issued July 1, 1968 and due January 1, 1981;

(h) The Company's Notes to Bank of America National Trust and Savings Association, as Agent for participating banks, issued October 30, 1972 and due December 1, 1975;

(i) The Company's Note to Chemical Bank issued December 1, 1972 and due November 30, 1982;

(j) The Company's Note to Republic National Bank of Dallas issued March 1, 1973 and due November 30, 1982;

(k) The Company's Note to Security Pacific National Bank issued January 15, 1973 and due November 30, 1982;

(l) The Company's Note to Bank of America National Trust and Savings Association issued March 1, 1973 and due November 30, 1982;

and any other particular indebtedness or obligation of the Company not outstanding on June 1, 1974, but which may be incurred or created thereafter, or any renewal of any indebtedness or obligation of the Company thereafter made, unless in the case of any such indebtedness or obligation or renewal thereof the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such indebtedness or obligation is not superior in right of payment to the Debentures.

The Indenture prohibits any payment of principal (including any Sinking Fund payments) or interest on the Debentures unless full payment of principal and interest then due on Senior Debt has been made or duly provided for, or if any default on Senior Debt has occurred and is continuing.

Upon any distribution of assets of the Company in connection with any dissolution, winding up, liquidation or reorganization of the Company, the holders of all Senior Debt will first be entitled to receive payment in full of the principal thereof and the interest thereon before the holders of the Debentures are entitled to receive any payment upon the principal of or interest on the Debentures. In addition, there are several court decisions on the basis of which, in the event of insolvency, the rights of holders of the Debentures to recover may be subordinate to the claims of general creditors to which the Debentures are not expressly subordinated by the Indenture. By reason of such subordination, in the event of insolvency, creditors of the Company who are not holders of Senior Debt or of the Debentures may recover less, ratably, than holders of Senior Debt and may recover more, ratably, than the holders of the Debentures.

There are also some court cases which suggest that, in the event of the Company's insolvency, the Debentures issued in this Exchange Offer might also be subordinate to all creditors of the Company holding claims arising prior to the issuance of the Debentures, because the Debentures are being issued in exchange for equity securities of the Company. The Company has received an opinion of counsel that these court cases would not be followed by a court in Delaware, the Company's jurisdiction of incorporation.

#### MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of 66 $\frac{2}{3}$ % in principal amount of Outstanding Debentures, provided that no supplemental indenture may reduce the principal amount of or interest on any Debenture, change the maturity date of the principal or the interest payment dates, change the currency in which any Debenture is payable, impair the right to institute suit for payment on and after maturity or reduce

the above-stated percentage of Debentureholders necessary to modify or alter the Indenture, without the consent of each Debentureholder. Certain other modifications and amendments which do not adversely affect the interests of the Holders and additional issuances of new series of debentures or additional issuances of debentures of existing series under the Indenture may be authorized and made by the Company and the Trustee without the consent of the Holders.

#### EVENTS OF DEFAULT

The Indenture provides that the following are to be Events of Default: (a) default in the payment of principal when due; (b) default in the payment of any interest or Sinking Fund instalment when due, continued for 30 days; (c) default in the performance of any other covenant of the Company in the Indenture, continued for 60 days after written notice; and (d) certain events in bankruptcy, insolvency or reorganization. The Indenture provides that the Trustee will, within 90 days after the occurrence of a default, give to the Debentureholders notice of all uncured defaults known to it (the term default to include the events specified above without grace periods); but, except in the case of a default in the payment of the principal of or interest on any of the Debentures or of any Sinking Fund instalment, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of such Holders.

The Company is required, pursuant to the terms of the Indenture, to deliver to the Trustee within 120 days after the close of each fiscal year an officers' certificate stating that a review of the activities of the Company has been made with a view to determining whether its obligations under the Indenture have been complied with and as to whether such officers have obtained knowledge of any default under the Indenture during such fiscal year.

#### RIGHTS ON DEFAULT

If an Event of Default shall happen and be continuing, the Trustee or the holders of 25% in principal amount of Outstanding Debentures may declare the Debentures due and payable.

The Holders of a majority in principal amount of Outstanding Debentures may on behalf of the Holders of all the Debentures waive certain past defaults except a default in payment of the principal or interest on any Debenture.

The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during default to act with the required standard of care, to be indemnified by the Holders of Debentures before proceeding to exercise any right or power under the Indenture at the request of Debentureholders. The Indenture provides that the Holders of a majority in principal amount of the Outstanding Debentures may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee.

#### SATISFACTION AND DISCHARGE OF THE INDENTURE

The Indenture provides that all obligations of the Company in respect of the Debentures and the Indenture shall cease and be discharged when all outstanding Debentures are delivered to the Trustee, cancelled or for cancellation, or when all the outstanding Debentures shall have become payable by their terms or shall have been called for redemption, and the Company shall have deposited with the Trustee sufficient funds to pay the principal and interest on all Debentures outstanding.

#### **ADDITIONAL SERIES OF DEBENTURES**

If additional series of debentures are issued under the Indenture, they may differ from the Debentures in designation; date; date or dates of maturity, which may be serial; interest rate; interest payment dates; the place or places for the payment of principal and for the payment of interest; denominations; limitations, if any, upon the aggregate principal amount of debentures of the particular series which may be issued; convertibility of debentures of the particular series into stock or other securities of the Company or of any other corporation; redemption of debentures; sinking fund provisions; or provisions for the attachment of stock, warrants, options or other rights to purchase stock or other securities of the Company.

#### **DESCRIPTION OF COMMON STOCK**

The Company's Certificate of Incorporation authorizes the issuance of 15,000,000 shares of Preferred Stock, par value \$1 per share, and 60,000,000 shares of Common Stock, par value \$1 per share. The transfer agents for all shares of the Company's stock are Bank of America National Trust and Savings Association, San Francisco, and United States Trust Company of New York. The registrars are Security Pacific National Bank, San Francisco, and First National City Bank, New York.

#### **DIVIDEND RIGHTS**

Subject to the preferential rights of the existing series of Preferred Stock, the Board of Directors of the Company may declare and the Company may pay dividends on the Common Stock out of the assets which are legally available for that purpose. Such dividends may be made payable in cash, Common Stock or capital stock of any class or in such other kind as the Board of Directors shall determine.

#### **DIVIDEND LIMITATIONS**

The Common Stock is subject to all limitations applicable to payment of dividends contained in various borrowing agreements as well as to limitations imposed by the dividend rights applicable to the respective outstanding series of Preferred Stock. As of October 31, 1973, under the most restrictive agreement, approximately \$141,526,000 of retained earnings were not restricted as to the payment of dividends on Common Stock. No cash dividends may be paid on Common Stock until all accumulated dividends on all existing series of Preferred Stock are paid or otherwise provided for.

#### **VOTING RIGHTS**

The holders of Common Stock vote together with the holders of the respective outstanding series of Preferred Stock as one class, except as otherwise provided by law and as set forth below as to the special voting rights of certain series of Preferred Stock. All shareholders have the right of cumulative voting with respect to the election of directors.

If dividends on any series of Preferred Stock are in arrears for more than four quarterly dividend periods, the holders of that series along with the holders of other series of Preferred Stock upon which dividends also are in arrears, voting as a class, are entitled to elect 40% of the Board of Directors or two directors, whichever number is greater. To date, the Company has paid all quarterly dividends on all existing series of Preferred Stock as they have become payable.

#### **PREEMPTIVE AND LIQUIDATION RIGHTS**

None of the holders of any shares of the Company's stock has preemptive or other subscription rights. All outstanding shares of Common Stock are fully paid and nonassessable. Upon the dissolution,



liquidation or winding-up of the Company, after the payment in full of all preferential amounts to which the holders of outstanding shares of all classes of stock having prior right shall be entitled, the remainder of the assets available for distribution to shareholders will be distributed ratably among the holders of shares of Common Stock.

### **MISCELLANEOUS**

The Exchange Offer is not being made to, nor will the Company accept tenders from, shareholders of the Company in any state or other jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

No commission or other remuneration will be given to any person for soliciting tenders pursuant to the Exchange Offer.





