

## Dutch auctions: When your own stock is a good investment

A Dutch auction is an offer to buy back shares for cash. Dutch auctions are shareholder self-tenders used almost exclusively in non-hostile environments. These voluntary programs allow shareowners who wish to sell their shares to select a price from among a range of prices set by the issuer. The “auction” is controlled by the issuer, who selects the lowest priced offers to fulfill the amount of its stated buy-back.

If there are not enough shares offered at the lowest price to accomplish the desired buy-back, the issuer may accept offers from the next higher priced tier. However, all tendered shares that are accepted receive one – the higher – price.

### KEY CONSIDERATIONS

A successful Dutch auction starts with an effective plan generated in partnership with the issuer, its counsel, and the combination of a dealer manager, information agent and depository. A company should consider the current market environment and the current and historical price of its stock as well as variables that might adversely affect price during the offering period. One of the key essentials for a successful Dutch auction is to price the offering appropriately to maximize participation.

Candidates for a Dutch auction often share the following characteristics:

- Accumulated excess cash (for example, from a recent sale of assets) or a steady cash flow
- Stock that is currently under-priced, yet showing strong revenue and earnings growth, a situation that could be a result of under-coverage by the investment community
- Low daily trading volume, favoring a structured offer rather than open market purchases
- The option of reducing a preponderance of small (also referred to as “oddlot”) shareholders through the buy-back

### BENEFITS TO THE ISSUER

Dutch auctions can prove to be an effective buy-back vehicle for companies whose securities are not broadly traded. Issuers:

- Control and set limits on prices that they pay to effect the buyback. In many cases, the total cost to the issuer is less than enlisting a broker for this function.
- Enjoy savings in shareholder servicing costs by implementing an “oddlot preference” whereby oddlot shares tendered at the purchase price are purchased first, and not pro-rated.

### HOW DOES A DUTCH AUCTION WORK?

A shareholder package is distributed to both registered and beneficial shareholders. The package consists of:

- > The prospectus or offer to purchase
- > A letter of explanation
- > The transmittal form
- > A guarantee of delivery form (for accounts held by brokers)

The information agent follows up with brokerage houses and other institutions holding beneficial accounts in order to gain indications of interest. The offering period typically extends for thirty days.

At the end of the offering period, transmittal forms received by a depositary group are reviewed and forwarded to the issuer. The issuer selects the final program price. If the offer is oversubscribed, participants' offers can be accepted on a pro-rated basis. Processing is completed and, in the case of pro-ration, checks and certificates are mailed to former shareholders within seven to ten days of the expiration of the offer.

Registered shareholders with questions regarding the program will typically call the information agent while beneficial shareholders will call their brokers for further information.

### COMPREHENSIVE EVENTS MANAGEMENT SERVICES

Georgeson Inc. is equipped to offer the unique capability to plan and deliver a Dutch auction in its entirety.

Georgeson Securities Corporation, an affiliated broker-dealer, serves as the dealer manager to plan and structure a Dutch auction, including analyzing and setting the price range to maximize participation while minimizing the cost to the company. Additionally, a dedicated account manager serves as the central administrative contact during the offering and processing periods to assist the issuer throughout the process. Our affiliate, Computershare Inc.'s corporate actions unit manages the depositary function and coordinates with Computershare Communication Services for print/mail services and with Georgeson Inc. for information agent services.

For more information about Dutch auctions, contact Chris Hayden at 212-440-9850 or Pat Tracey at 212 805 7160.

### ABOUT GEORGESON

Georgeson Inc. is the world's leading provider of strategic proxy and corporate governance advisory services to corporations and shareholder groups working to influence corporate strategy.

For over half a century, Georgeson Inc. has specialized in complex solicitations such as hostile and friendly acquisitions, proxy contests and takeover defenses. In 2009, Georgeson Inc. was the No. 1 proxy solicitor for M&A transactions worldwide. The firm and its affiliates also provide issuers with expertise in corporate events solutions such as post-merger unexchanged holder programs and information agent services.

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