

THE TELEX
CORPORATION

EDELMAN TENDER OFFER
AND
ACQUISITION BY
GEORGE PARTNERS, INC.
WITH
RELATED LITIGATION
1987 - 1988

VOLUME IX

GEORGE L. BRAGG

George Partners, Inc., an indirect
wholly owned subsidiary
of Memorex International N.V.

Acquisition
of
The Telex Corporation

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TENDER OFFER INVOLVING THE
TELEX CORPORATION, GEORGE PARTNERS, INC.
AND MEMOREX INTERNATIONAL N.V.

George Partners, Inc.,
an indirect wholly owned subsidiary of
Memorex International, N.V.

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This set of volumes contains copies of documents relating to significant events leading to the commencement and completion of the Offer by George Partners, Inc. ("George Partners"), a Delaware corporation and an indirect wholly owned subsidiary of Memorex International N.V. ("Memorex"), a Netherlands corporation, for up to 13,276,348 shares of common stock, par value \$1.00 per share, of The Telex Corporation (the "Company"), a Delaware corporation.

The volumes contain documents relating to (i) the Edelman Offer and Revised Edelman Offer and the Company's response, including the creation and implementation of the Rights Plan and the Company's proposed Plan of Recapitalization and (ii) the Offer by George Partners and the Company's response.

This introduction summarizes the most significant events leading to the commencement and completion of the Offer.

On October 8, 1987, the Edelman Group filed with the Securities and Exchange Commission a report on Schedule 13D (the "Edelman 13D") reporting its ownership of an aggregate of 1,035,100 Shares (or 7.1% of all outstanding Shares). In the Edelman 13D, the Edelman Group indicated that it would seek to acquire the Company and that Datapoint and Intelogic, together with certain members of the Edelman Group, intended to commence a cash tender offer for all of the outstanding Shares.

Pursuant to an offer to purchase dated October 9, 1987, the Edelman Group commenced an offer to purchase any and all of the issued and outstanding Shares at a purchase price of \$65 per Share net to the seller in cash.

The Board of Directors of the Company (hereinafter referred to as the "Board" or the "Board of Directors") considered the Edelman Offer at special meetings held on October 16, 1987, October 20, 1987 and October 22, 1987 and unanimously determined that it was unable to take a position with respect to the Edelman Offer and, accordingly, made no recommendation to stockholders with respect to such offer.

At the October 20, 1987 Board meeting, the Board unanimously approved the Rights Plan. Pursuant to the Rights Plan, the Board declared a dividend distribution of one Right for each outstanding Share to stockholders of record of the Company at the close of business on October 30, 1987. When exercisable, each Right entitled the registered holder thereof to purchase from the Company one Share at a price of \$2 per Share. The Rights Plan provided that Rights would become exercisable on the date (the "Exercisability Date") of the making of a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") acquired, or obtained the right to acquire, at any time on or after October 20, 1987 but on or prior to February 17, 1988, beneficial ownership of 15% or more of the outstanding Shares other than (i) by means of a tender offer for all of the outstanding Shares at a price equal to or greater than \$65 per Share net to the seller in cash or (ii) in accordance with the terms of a definitive agreement (or an agreement related thereto) for the acquisition of all of the outstanding Shares approved by the Board prior to the acquisition of such beneficial ownership. The consummation of the Edelman Offer would not have triggered the exercisability of the Rights.

Board also authorized management of the Company and DBL to investigate possible alternatives to the Edelman Offer in order to maximize

The Rights Plan further provided that the Rights were redeemable by the Company in whole, but not in part, at a pre-determined redemption price at any time prior to the earliest to occur of (i) the Exercisability Date, (ii) the close of business on February 17, 1988 and (iii) immediately prior to the consummation of any merger or consolidation involving the Company and any other person (other than (a) a subsidiary of the Company or (b) the Acquiring Person or any affiliate or associate thereof) in which all outstanding Shares would be converted into cash or securities of such other person.

At the October 20, 1987 Board meeting, the Board also adopted amendments to substantially all of the Company's employee benefit plans pursuant to which certain unaccrued or unvested benefits arising under such plans would accrue or become vested in the event of a "change in control" involving the Company. The Board also adopted a Special Severance Pay Plan pursuant to which special severance payments would be made to key employees designated by the Board in the event of termination of their employment by the Company, under certain circumstances, within twenty-four months of a "change in control."

At the October 22, 1987 Board meeting, the Board also authorized management of the Company and DBL to investigate possible alternatives to the Edelman Offer in order to maximize agreement being reached.

value for the Company's stockholders, including seeking a purchaser for the Company, a recapitalization or a management-led buyout.

In a press release issued by the Company on November 5, 1987, the Company announced that the Board, at a special meeting held on November 4, 1987, unanimously approved the submission of the Plan of Recapitalization to the stockholders of the Company in the event that the Edelman Offer was not consummated promptly. The Plan of Recapitalization provided in part for a dividend consisting of \$45 in cash and \$15 principal amount of a new issue of the Company's 15-year junior subordinated debentures. The Company announced that it expected to raise the approximately \$775 million which would be needed to pay the \$45 cash dividend, to refinance existing debt and to pay the expenses of the Plan of Recapitalization, through bank borrowings of approximately \$475 million and the public sale of \$300 million principal amount of senior subordinated and subordinated debt securities.

By press releases dated November 5, 1987 and November 9, 1987, TLX Acquisition announced the extension of the Edelman Offer to midnight on November 9, 1987 and November 20, 1987, respectively. Discussions between the Edelman Group and the Company on November 20 and 21, 1987 followed, but ended with no agreement being reached.

The Edelman Offer was revised on November 25, 1987 (the "Revised Edelman Offer") pursuant to an amended offer to purchase. The Revised Edelman Offer reduced the number of Shares to be purchased to 10,528,000 Shares and related Rights, reduced the purchase price to \$55 per Share and was conditioned upon a number of requirements.

Under the terms of the Rights Plan, as a result of the Revised Edelman Offer, the Rights became separately transferable from the Shares on December 4, 1987, and on December 11, 1987, separate certificates evidencing the Rights were mailed to holders of record of the Shares.

In mid-October, 1987, after commencement of the Edelman Offer, a representative of Memorex and a managing director of DBL discussed whether Memorex would be interested in a potential acquisition of, or business combination with, the Company. Following such conversation, Memorex executed a confidentiality and standstill agreement with the Company pursuant to which, among other things, Memorex agreed, in effect, that it would not permit any of its affiliates to acquire any voting securities of the Company or otherwise take any actions or engage in any activities which were intended to, or might result in, a change in control of the Company.

After many discussions between the Company and Memorex between October 27, 1987 and December 5, 1987, Memorex delivered to the Board at a special meeting held on December 6, 1987, a letter to the Company setting forth its proposal (the "Memorex Proposal"). The Memorex Proposal provided for the acquisition of the Company by Memorex in a transaction or series of transactions that would result in the Company's stockholders receiving in the aggregate \$56 in cash and \$6 liquidation preference of a series of junior preferred stock of the Company for each Share. The Memorex Proposal was conditioned upon (i) reaching agreement on the structure and definitive terms of the transaction, (ii) approval of the transaction by the respective boards of directors of the Company and Memorex, (iii) completion of Memorex's financing arrangements with the Morgan Guaranty and other financial institutions and (iv) negotiation and execution of definitive documentation.

At a special meeting of the Board held on December 6, 1987, the Board determined that the Revised Edelman Offer was inadequate and not in the best interests of the Company and its stockholders and strongly recommended that the Company's stockholders reject the Revised Edelman Offer and not tender their Shares.

At the December 12, 1987 Board meeting, the Board authorized management of the Company to execute and deliver the Merger Agreement. In addition, it was resolved by the Board that for purposes of the amendments to the employee benefit plans and the Special Severance Pay Plan adopted at the October 20, 1987 Board Meeting, neither the Offer nor the Merger contemplated by the Memorex Proposal would constitute a "change in control." At that same meeting, the Board was informed that Memorex had advised the Company that a settlement of the litigation between the Company and its officers and directors, on the one hand, and the Edelman Group, on the other hand, and the termination of the Revised Edelman Offer would facilitate the Offer and the Merger. On December 12, 1987, the Board authorized management to enter into negotiations with the Edelman Group in accordance with certain parameters set by the Board. On the evening of December 13, 1987, representatives of the Company met with representatives of the Edelman Group. During the morning of December 14, 1987, the Company simultaneously executed and delivered the Merger Agreement with George Partners and Memorex, and executed the Settlement Agreement with the Edelman Group wherein (1) the Company and the Edelman Group, among other things, agreed to suspend, pending dismissal upon consummation of the Offer, all of their pending litigation (the "Edelman Litigation"), including the October 23, 1987

complaint filed in the Chancery Court of Delaware, between the Company and the Edelman Group and (2) the Edelman Group agreed to terminate the Revised Edelman Offer.

The Settlement Agreement provided, among other things, for the payment by the Company to the Edelman Group of \$9.47 million in settlement of the Edelman Litigation which amount, according to the Edelman Group, approximated the Edelman Group's expenses in connection with the Edelman Offer, the Revised Edelman Offer and the Edelman Litigation. The Company and the Edelman Group agreed to stay the Edelman Litigation and, during the pendency of the stay, not to commence any other proceeding relating to the subject matter of any of the Edelman Litigation. The parties also agreed to dismiss with prejudice and without costs all of the Edelman Litigation (i) when Shares had been purchased pursuant to the Offer or (ii) if the Edelman Group failed to terminate the Settlement Agreement under certain specified circumstances. In the Settlement Agreement, each member of the Edelman Group agreed to certain "standstill" provisions pursuant to which, for a period of 10 years, it would not acquire any securities of the Company or its affiliates (as of the date of the Settlement Agreement) or otherwise take certain actions or engage in certain activities which might affect the ownership, management, structure or control of the Company.

On December 14, 1987, the Company announced that it had filed preliminary proxy materials with the Commission related to the Plan of Recapitalization but that, under the terms of the Merger Agreement, it would suspend the Plan of Recapitalization and not submit such plan to the stockholders as long as the Merger Agreement remained in effect.

Pursuant to the Merger Agreement, on December 18, 1987, George Partners commenced the Offer for up to 13,276,348 Shares (approximately 90% of all outstanding Shares) at a price of \$62 per Share net to the seller in cash. The Board of Directors unanimously determined on December 18, 1987 that the Offer and the Merger, when taken together, were in the best interests of the stockholders of the Company and were on terms fair to the stockholders of the Company and strongly recommended that stockholders tender all of their Shares in the Offer.

On January 20, 1988, George Partners accepted for payment 13,276,348 Shares (or 90.32% of the voting securities of the Company) pursuant to the Merger Agreement. As a result, pursuant to the Merger Agreement, seven members of the Board of Directors resigned and certain individuals were designated to the Board by Memorex, enabling Memorex to control a majority of the Board of Directors of the Company.

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In accordance with the Merger Agreement, (1) the Rights issued pursuant to the Rights Plan were redeemed by the Company on January 20, 1988, and (2) certain holders of Incentive Stock Options to purchase Shares granted under the Company's Incentive Stock Option Plan for Key Employees of The Telex Corporation, as amended, consented to the receipt of and received cash in full satisfaction of such options.

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