nature, an appraisal of the company's future prospects and other relevant factors. A memorandum containing these studies is circulated to a number of senior members of the Firm as well as to others within the Firm who may have particular experience bearing upon the businesses involved. This group then meets to develop a consensus opinion and to formulate Morgan Stanley's recommendations.

Upon the completion of the preliminary analysis and review of the alternatives and valuation, we would plan to deliver an oral report to National Starch setting forth our views as to the alternatives available, our recommendations regarding these alternatives taking into account the interests of the company's stockholders and employees and our analysis of the Unilever proposal.

Negotiating and Structuring Transactions. During the analytical phase of an assignment, we develop a judgment as to values and a thorough understanding of the legal and financial implications of various forms of transactions. Such knowledge, combined with the perspective of a third party, is invaluable in negotiations, particularly if important decisions must be made rapidly and under pressure, as is often the case in business combination negotiations.

Many companies are familiar with Morgan Stanley and, we believe, have respect for the quality of our work and fairness of our positions. We feel that this reputation will lend additional credibility to National Starch's bargaining position. Thus, if it develops that

National Starch and a prospective partner have differing initial assessments as to value, such credibility can be helpful in bridging early disagreements and preventing a premature termination of discussions before negotiations have reached a critical stage. It is also our experience that an intermediary is often of considerable assistance in maintaining momentum throughout ensuing negotiations.

Rendering an Opinion. Often we are asked to express a written opinion regarding the fairness of the financial terms of a transaction. Such an opinion might be for the benefit of either a client's management or its board of directors. The opinion of an independent financial expert, advising that a transaction is "fair and equitable" to shareholders, can be of significant comfort to directors of a public corporation seeking to act in the best interests of those shareholders. If requested in connection with this assignment we would expect to provide a written opinion regarding the fairness of the financial terms of the transaction and to have this opinion included in a prospectus or proxy statement, which, depending on the ultimate form of the transaction, will be required.

Coordinating Technical Details. Following an agreement in principle, we would assist you in organizing and coordinating your other experts and advisors and would attend to the numerous technical details required in closing a transaction. The subsequent steps may include: drafting a merger agreement or tender or exchange offer documents; designing employment and bonus agreements; preparation of proxy materials; and requesting a tax ruling if neces-

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sary. These tasks are often the most time-consuming aspects of a transaction, requiring an anticipation of problems and experienced coordination of attorneys, accountants, and other experts as appropriate, at the same time making sure the understanding between the principals is not unnecessarily affected.

Our fees for services of this nature ordinarily involve two components, depending upon whether or not a combination is successfully consummated. In the event that no acquisition is consummated, we normally charge a fee which reimburses us only for our effort expended on the assignment. This fee would normally be in the area of $75,000 to $100,000. Should an acquisition be successfully concluded, however, we believe a more substantial fee is appropriate. This fee, which would include the aforementioned fee, is based upon a number of considerations including the market value of the transaction and our contribution to its successful completion. Set forth below is our standard fee schedule for completed transactions.

Approximate Market Value of Transaction	Approximate MS&Co. Fee as a % of Value of Transaction
$ 200 million	3/4%
300 million	5/8%
400 million or greater	1/2%

Should a transaction not be completed that has progressed to the stage where proxy and registration material have been filed and a Firm opinion as to

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Incorporated

fairness rendered, a fee in the area of $500,000 would be appropriate. Should a transaction where an agreement in principle has been reached not be consummated, a fee in the area of $250,000 would be appropriate. In all cases any interim fees would be credited against our fee for a completed transaction should one be effected.

The fee levels that we have indicated above are based upon what we believe will be a valuable and significant contribution by Morgan Stanley to meeting the business and financial objectives of National Starch and Chemical Corporation. These fees are consistent with our overall compensation practices and with actual fees charged to other clients for similar services.

It should be noted that it is the practice of our Firm that, in all cases, in addition to a fee for our professional services, we be reimbursed for out-of-pocket expenses and our attorneys' fees, should their advice be required. It is also our policy to seek indemnification against liabilities which might arise in connection with the work we undertake on behalf of a client.

I hope this letter is responsive to your request. We are confident that our Firm has the skill and expertise with which to supplement your own resources to achieve a satisfactory outcome that is in the best interests of National Starch and Chemical Corporation and its shareholders. We look forward to working with you.

Very truly yours,

/s/ Robert F. Greenhill

Robert F. Greenhill
Managing Director

[Exhibit 13-M]

Morgan Stanley & Co. Incorporated
1251 Avenue of the Americas
New York, New York 10020

Gentlemen:

This letter will confirm that we have engaged Morgan Stanley & Co. Incorporated to advise and assist us in connection with the possible sale or disposition of National Starch and Chemical Corporation, in accordance with your letter to us dated the date hereof. Since you will be acting on our behalf, we agree to indemnify and hold you (including affiliated companies and any of your affiliates, officers, directors, employees or controlling persons) harmless from and against all claims, liabilities, losses, damages and expenses as they are incurred (including reasonable fees of your counsel) related to or arising out of any actual or contemplated sale or disposition by us of National Starch and Chemical Corporation or your role in connection therewith. We shall not, however, be responsible for any claims, liabilities, losses, damages or expenses to the extent they result primarily from actions taken, or omitted to be taken, by you in bad faith or from your negligence.

It is understood that you will keep confidential and will not use in any improper way the information and data about us or our subsidiaries obtained by you in connection with your engagement.

It is understood that your services hereunder may be terminated with or without cause by you or by us at any time and without liability or continuing obligation to you or to us (except for any compensation earned by you up to the date of termination and except for the provisions relating to confidential information) and provided that the indemnity provisions relating to or arising out of any matter in connection with which you shall have advised or assisted us prior to such termination, will remain operative regardless of any such termination.

We further understand that if you are asked to furnish us with a financial opinion letter or act for us in any other formal capacity, such further action may be subject to a separate agreement containing provisions and terms to be mutually agreed upon.

Very truly yours,

NATIONAL STARCH AND
CHEMICAL CORPORATION

By /s/ Donald D. Pascal

Accepted:

MORGAN STANLEY & CO.
INCORPORATED

By /s/ Robert F. Greenhill
Managing Director

Date: 12/6/77

[Exhibit 14-N]

PROJECT BUTTONDOWN

Assignment:

Advice as to fairness to the shareholders of Buttondown Corporation ("Buttondown" or the "Company") of a possible business combination with the Unilever Group.

Questions:

1) Does a cash price in the area of $65-$70 per share represent fair value to the shareholders of Buttondown?

2) Is it realistic to expect that more attractive alternatives exist for the shareholders of Buttondown in the context of an affiliation with another company.

3) If an agreement should be reached as to price, is the structure presently proposed, which could involve the receipt by certain shareholders of shares of a low dividend preferred stock of a new U.S. holding company, acceptable from a credit and liquidity standpoint?

Background

The Unilever Group (Unilever N.V. and Unilever Ltd., U.S. subsidiary—Unilever U.S.) ("Unilever") recently approached the principals of Buttondown Corporation, a manufacturer of specialty starches, adhesives and chemicals, through Lazard, Freres & Co., indicating a strong interest in purchasing all the outstanding shares of Buttondown shares for cash. MS&Co. was retained by Buttondown on Tuesday, November 15. The principals, particularly Frank K. Greenwall, Chairman of the Executive Committee and holder of the one million of the Company's shares (approximately 6.6 million shares outstanding), expressed an interest in a thorough evaluation as to the prospective offer by Unilever as well as receiving any advice the Firm might have as to the possibility of developing alternative options which might be available to the Company.

Mr. Greenwall's shares, together with what may be as many as 500,000 additional shares, are held at a rather low tax basis. The magnitude of potential capital gain tax liabilities which could accrue to the holders has given rise to the creation, with the consent of both sides, of a possible transaction structure which would involve an exchange offer of a low dividend non-voting straight preferred. Those shareholders not electing to take the preferred would receive cash through a merger between Buttondown and a shell subsidiary of Unilever. From a tax standpoint the transaction has been structured to qualify under Section 351. While this form of transaction has never before been accomplished, lawyers from both sides have talked to the IRS on a no names basis and at this point the IRS has stated that it "can find no reason not to approve the transaction". The structure involves the creation of a new Unilever (U.S.) holding company to issue the preferred and which would hold all of the shares of the Company following a cash merger. This holding company would also hold funds for the purpose of redemption (at the option of the holders after five years) of the preferred stock. Since in only a few cases is the exact basis of the low basis shareholders actually known, it is difficult to judge the amount of preferred stock which might be elected. However, the best estimate developed has been in the area of $70-$100 million.

Conclusion:

1) It appears that a price between $65 and $70 per share would represent fair value for the shareholders of Buttondown.

2) If the proposed tax-free structure is utilized either a) some method must be developed to *specifically segregate* assets for redemption of the outstanding preferred stock, b) restrictive covenants must be created for both the holding company and Buttondown to safeguard the credit position of the preferred holders, or c) the Unilever parent credit must be made available.

3) For planning it appears unlikely that another company, especially a U.S. company in the context of a tax-free transaction, would be prepared to pay the same price as that being proposed by Unilever.

BUTTONDOWN CORPORATION
Summary Description

History

The Buttondown Chemical Corporation ("Buttondown" or "the Company") began in 1895 as the National Gum & Mica Co., a producer of starch jelly gums and glue sizings. The National Adhesives Corporation was formed in 1928 to consolidate National Gum & Mica operations with those of two smaller adhesives companies. Operations (sales reached $1 million in 1926) focused on the production of industrial adhesives for the paper converting (boxes, bags, envelopes), leather goods and packaging (labeling and sealing) industries. In 1939, the Company purchased the Piel Brothers starch plant in Indianapolis in order to produce its own corn starch and to move into new markets. Prior to World War II the Company began to develop specialty starches through newly designed conversion processes for use in wet-end additions in the paper industry as well as for yarn sizing and printing and finishing in the textile industry.

Shortages of tapioca (a prime starch source) during World War II led to the Company's development of special varieties of "waxy" corn, the conversion of which resulted in starches with superior thaw/freeze, drying and hardening qualities. With these specialty starches, Buttondown moved into the food starch business. This period also saw the development of synthetic polyvinyl acetate adhesives. These moisture-resistant, fast-setting resin formulations had properties favorable to high-speed packaging processing as well as to structural adhesive and coating applications.

Post World War II expansion included construction of a vinyl polymerization plant as well as several subsequent additions at Meredosia, Illinois, central adhesive plants at Plainfield, N.J., Chicago and San Francisco and a vinyl acetate monomer facility at Long Mott, Texas. As a result of a number of small acquisitions (see Exhibit XX), participation in joint venture as well as internal growth, the Company has reached the $350 million sales level and currently employs 3,730 people at a total of over 60 facilities in the U.S. and a number of foreign countries (see Exhibits I, XIII and XXVI).

Products and Markets

Buttondown currently produces a broad range of specialty starches, adhesives and related chemical products deriving from both organic and synthetic bases (see Exhibits XV and XVI).

Adhesive and Related Products

The Company offers an extensive line of adhesives and related products based upon synthetic raw materials, primarily vinyl acetate polymers and copolymers but also including acrylics, neoprenes, polyesters, polyamides, expoxies and other bases. Starch, principally from corn, is also used as a base. Major uses for the company's adhesives are general packaging (surface labeling of bottles, cans and paper and plastic containers, case and carton sealing and package wrapping) and paper converting (manufacture of envelopes, paper and plastic bags, boxes, cups and composition cans and tubes). Most of these adhesives are used on automatic packaging or fabricating equipment or in other specialized operations. As an example, the Company's multi-viscosity adhesives are used on high speed envelope machines for back seams and window patches. Related to the paper converting area is a full line of specialty adhesives for laminating various transparent films and foils used primarily in the meat and dairy industries.

The Company produces adhesives used in manufacturing pressure-sensitive tapes, labels, decals and re-moistenable wallcoverings; fabricating furniture and cabinets (quick-curing "white glues" for finger joints, edge gluing and surface laminating); bonding insulation and structural panels to interiors and exteriors of buildings and vehicles; and applying insulation to industrial heating and air conditioning equipment. Other products manufactured include a complete line of sealants, flexible package layer adhesives (e.g. boilable pouches), "not melt" adhesives for book-binding, pre-mixed high technology adhesives and potting compounds, primarily for the electronics industry, and lines of cyanoacrylate, anaerobic and "cure-on-demand" adhesives for parts assembly and other industrial purposes. In Canada, England, and Australia, the company makes a broad line of adhesives and related materials sold to consumers in small packages (the Le Page subsidiary has 80% of the packaged glue market in Canada). Retail size packages of cyanoacrylate and certain other adhesives are also made and sold in the United States.

Starches and Related Products

The Company extracts starch from standard and specialty corns by the wet-milling process (which involves grinding the corn kernel while wet and the separation of its starch and other components). Unlike most corn wet-millers, the Company does not make sweetners (volume, commodity-type products) nor does it package corn starch for retail use. Typically, the Company modifies such starches, as well as imported tapioca starch, to make specialty products designed for a wide variety of end uses. By-products, which are recovered in the corn wet-milling process and sold, include unrefined corn oil and glutent feed and meal. The largest users of the Company's starch products include the food industry (40 starches and derivatives used as stabilizers, texturizers, fillers, thickeners and extenders in products such as canned and frozen foods, pie fillings, puddings and baby foods) and the paper industry (principally as binders and size and production aids in the paper-making process). The Company pioneered the introduction of cationic starches in the paper industry which provide such performance prosperities as strength additives and production aids which are not available with conventional starches. Specialty starch products are also used in corrugating board, packaging, paper converting and other adhesive applications. Other markets include the textile, pharmaceutical and pet food industries. Through subsidiaries, the Company also makes and sells a line of food intermediates, seasonings and flavors sold to the baking, snack, and food processing industries and also grows and sells to farmers regular hybrid corn seed and some varieties of waxy corn seed.

Chemical Products

The Company manufactures a wide variety of vinyl acetate and other types of polymers and copolymers, both for use by the Company in its production of formulated adhesives and for sale to such markets as the paper, cosmetic, textile and building products industries. The Company is a major supplier of specialty polymer affixants for hair sprays, eye liner and liquid shampoo, of cationic polyelectrolytes to the paper industry as production aids and for effluent treatment, of binders for non-woven fabrics and other products for specialized end uses. An example of a major Buttondown product use in the papermaking process is Natron, a synthetic polyelectrolyte flocculant, which acts to deposit fine solids and debris on the longer wood fibers prior to paper sheet formation thus allowing a more open fiber web, better pigment retention, better effluent clarification and faster draining and drying. In the non-woven area the uses include the binding of the seams of layered disposable diapers, tampons and napkins where the non-woven web may be rayon, polyester or wood fiber-based. Through subsidiaries, the Company produces textile finishing chemicals (the Proctor Chemical subsidiary produces resins used in permanent press materials), specialty chemicals for yarn and carpet manufacturers, and a variety of proprietary organic chemicals and polymers to include resins used in manufacturing glass fibers, the primary reinforcing material in fiberglass reinforced plastics, and custom-manufactured chemicals for other companies. In Canada, the Company makes and sells, in small packages, formulated products for coating, repair and up-keep of concrete and masonry floors and walls, a line of wood stains and coatings, and a line of patching compounds and paint strippers and cleaners.

Raw Materials

The Company's principal raw materials are corn (including standard, waxy, and high amylose corn), acetylene and acetic acid. Additionally, Buttondown Corporation routinely uses a variety of acids, alkalis, alcohols, polymers, copolymers and resins in its manufacturing operations. The Company depends on one source for a predominance of its acetylene; however, the Company feels that it has no reason to expect any curtailment in that supply.

The Company hedges portions of its specialty corn purchases through the use of the corn futures market although due to the nature of its operations a substantial portion of its requirements are purchased in the spot market.

Competition

Primary competitors in the Company's lines of business are as follows:

Starches (food area):

1. A.E. Staley Manufacturing
2. American Maize Products
3. CPC International
4. Cargill
5. Archer-Daniels-Midland

The Company suggests that none of these firms are major factors in the specialty sector of this business.

Starches (industrial, primarily paper):

A.E. Staley Manufacturing

The Company feels that it commands a very strong market position in this area.

Synthetic Resins:

1. Rohm & Haas
2. Union Carbide
3. Goodrich

4. Dow Chemical
5. Air Products Corporation
6. National Distillers

Adhesives:

1. H.B. Fuller
2. Borden Corporation
3. Celanese, Stein-Hall division

The Company believes that is is the largest producer in this particular market.

Anaerobic Adhesives:

1. Loctite Corporation

Loctite is the major producer in this market.

Customer Base

The Company sells to a large number of industrial users (see Exhibit XIX) through a large selling staff (250) as well as through jobbers, brokers and other distributors. Sales representatives maintain maximum contact with customers at their plant locations and most have developed substantial expertise in the users' industries. These representatives work in close conjunction with the 350 technical service staff members of the Company who play a large role in the design and development of new products, often in direct response to anticipated customer needs. This marketing/technical service combination has been the operating mode at Buttondown for many years and has been an important factor in the Company's success. The Company feels that the strength, depth and momentum of its research and development program put it in the vanguard in the specialty starch, adhesives and resins areas, and it feels that it is the product leader in this sector. Expenses for research and product development (as defined in FASB No. 2) aggregated \$6.2 million in 1976 versus \$5.8 million in 1975. Approximately 160 members of the technical staff hold one or more chemical, chemical engineering or other technical degrees.

Prospective competitors have found some difficulty in breaking through these apparently strong Buttondown relationships at the plant level. Suggested as evidence of the Company's strong position in some of the specialty areas is the substantially diminished activity of both CPC International and American Maize Products in the specialty starch market.

Product Development

The Company feels that although its principal products are sold to mature, relatively slow growth industries, a number of factors suggest increasing demand for its products in those areas. These include energy conservation considerations (particularly in the paper industry), pollution and effluent control (paper, food and textiles), and rising raw material prices. Examples of the growing uses for the Company's products are the range of cationic starches and polymers developed by Buttondown to increase throughput, improve sheet strength and thus contribute to substantial future savings in the paper industry (approximately 1.8 billion pounds of starch sold annually—most is currently of the unconverted commodity type) where the following factors are at work:

1) Developing world shortage of wood fibers which necessitates use of lower-cost feed stock as well as sawdust and waste paper

2) A trend toward lighter weight paper to offset increasing postal and freight costs which results in a loss in paper strength and throughput

3) Increasing capital cost of paper manufacturing which places a premium upon ability to increase machine efficiency

Buttondown has, over the years, generated a substantial percentage of its sales volume growth through the introduction of new or modified products. It has estimated that 60% of 1976 sales were represented by products which the Company did not sell ten years earlier. The Company foresees, as an example, major new uses for its products in the fast food area as that industry matures and cost pressures begin to mount.

Organization and Management

The Buttondown Corporation Parent Company (58% of total Company sales in 1976) is organized into two major divisions which correspond to the major product lines of the firm: 1) Adhesives and 2) Resins and Starches. Each division is headed by an Executive Vice-President who reports directly to the President. Each division contains its own manufacturing, marketing and research and development group. Additionally, a Corporate Group coordinates planning and has responsibility for longer range research and development. Research and development committees from each division and the Corporate Group meet on a continuing and organized basis to facilitate information flow. Marketing is managed on a product basis; however, certain overlaps exist as to responsibility. The Resins and Starch Division, as an example, is responsible for paper industry marketing, although products from Adhesives are also sold to that industry. Divisions do their own budgeting and internal control.

Domestic subsidiaries are managed in a relatively decentralized manner, reflecting the basic strength of management in most of the Company's acquisitions (final management responsibility rests with the Corporate Group). Quarterly executive review and pre-directors meetings bring together top level management. Key Company management meets with the outside directors (of which there are seven, including Donald J. Donahue, Vice Chairman, Continental Group, Inc., a recent addition) between board meetings.

International subsidiaries (approximately 60% of foreign sales are in Canada) and joint ventures are generally managed by native personnel (of the corporate venture partner when applicable). It has been the Company's policy to seek strong venture partners with quality management to which Buttondown could contribute technology. Several of the joint ventures involve royalty fee arrangements in the 3-5% of sales area (see Exhibit XX).

The Company feels that the keys to its management success include:

1) Liberal compensation system, including a discretionary bonus program based upon profitability; there are also separate special awards for achievement.

2) "Excitement" and dynamics of the business, e.g. turnover of products and the Company's position at the leading edge of research and development in the industry.

3) Promotion from within.

Financial Performance

The Buttondown Corporation has made money in every year since 1929 and has paid a cash dividend in every year since the policy was instituted in 1942. The following table sets forth latest 12 months levels and compound growth rates for net sales, gross profit, EBIT, net income, net income per share and cash dividends per share:

	Twelve Months Ended Sept. 30, 1977 (Millions except per share figures)	Compound Growth Rates	
		10-Yr.	5-Yr.
Net Sales	$364.8	13.8%	17.3%
Gross Profit	104.3	12.1%	13.4%
Earnings Before Interest and Taxes	48.1	12.7%	15.1%
Net Income	24.9	13.4%	12.3%
Net Income Per Share	$3.80	12.7%	11.6%
Cash Dividends Per Share	1.03	5.9%	9.0%

(See Exhibit XIII for ten-year summary of selected financial statistics as well as Exhibit I). The Company's capitalization balance is about in line with major industry participants (e.g., A.E. Staley, Loctite, see Exhibit XI) and the 5 3/4% subordinated convertible debentures due 2000 which were called on April 4, 1977 (redemption price of 105.46%) were rated Baa by Moody's (the redemption premium cost nets to $.14/share against 1977 earnings).

The estimated contribution of each of the Companies three major product categories to the consolidated sales of Buttondown and its consolidated subsidiaries in each of the five years ended December 31, 1976 was approximately as follows:

	1972	1973	1974	1975	1976
Adhesives and Related Products	40%	40%	39%	40%	40%
Starches and Related Products	37	38	40	39	39
Specialty Chemical Products	23	22	21	21	21
	100%	100%	100%	100%	100%

Since Company operations are interrelated through use by one activity of the production of another and through the practice of having marketing and sales staffs which serve important customer industries handle all categories of products, a similar estimate of the relative contribution of each of the categories to profits has not generally been practicable.

However the following represents a product line breakdown as to sales, costs and profitability for the year ended December 31, 1976 for operations of the Parent Company. 1976 is the first year that Buttondown has employed segment accounting:

	Product Lines					
	Adhesives		Starches		Resins & Chemicals	
	Amount	%	Amount	%	Amount	%
Net Sales	$93.8	100.0%	$94.2	100.0%	$33.9	100.0%
Direct Costs	55.2	58.8	48.0	51.0	19.0	56.0
Incremental Profit	38.6	41.2	46.2	49.0	14.9	44.0
Divisional Profit	17.9	19.1	21.4	22.7	5.6	16.5
Corporate Expense	5.4	5.8	4.7	4.9	1.6	4.7
Operating Income	$12.4	13.3%	$16.8	17.8%	$3.9	11.8%

Additionally, Exhibit XVIII shows the Company's first attempt at a breakdown of net income by product, by subsidiary.

The Company's rate of return on average equity has consistently been in the 15-20% range over the past ten years and was 16.1% for the 12 months ended September 30, 1977 (see Exhibit XIII). Operating income (as a % of sales) margins over the past 5 years have held in the 11-15% range while net income margins (as a % of sales) have moved down slightly from the area of 8% to 6.8% for the latest 12 months period (see Exhibit III.) Exhibits XVII and XVIII show that the bulk of sales and profitability are derived from Buttondown Corporation Parent Company operations, followed by international subsidiaries (the bulk of which is the Canadian subsidiary), domestic subsidiaries and earnings from joint ventures. Over the most recent 5-year period, margins have remained relatively steady in the Parent Company, while among the major sales contributors, Proctor Chemical margins have remained strong while operating income margins in the major Canadian subsidiary (Naoan Products Limited) have decreased measurably during 1975-1977. Several other international subsidiaries and joint ventures have also experienced some margin squeeze over this period. It is worthwhile to note that operating margins for several of the Company's newer product lines (small as a % of total sales) are quite encouraging, particularly Seasonings, Inc., Ablestik Laboratories, Inc. and Permabond International.

Related Financial Matters

Buttondown management forecasts some substantial capital additions during the next two fiscal years—in the area of $20 million per year (expenditures were $14.9 million in 1976 and $19.1 million in 1975). The Company estimates in its Replacement Cost information (unaudited) that the current replacement cost of net productive capacity (historical cost basis: $88.3 million) is $153.6 million. The Company's pension plans were fully funded at December 31, 1976. The Company is currently negotiating a private placement of $18 million of 20-year notes directly with Aetna and State Farm. Approximately $7 million of the proceeds will be used to pay out a revolving bank credit. Goodwill resulting from acquisition, mostly since 1970, aggregated $9.3 million at December 31, 1976. Street earnings estimates for the year ending December 31, 1977 are in the $4.00 range with estimates for 1978 at the $4.30 level.

Company Projections

The Company has estimated that the range of probable fourth quarter earnings is $.95 to $1.05 which would put year-end earnings in the $4.01 to $4.11 range. Prospects for 1978 are currently estimated to be an 8% increase in sales resulting in a 10% increase in net income $4.41-$4.42 earnings per share area). These estimates are based upon:

1) An assumption of 3-4% real economic growth in 1978

2) Flat or improved performance in Canada and Europe (the Company hopes for 8% sales increase)

3) A net reduction in the cost base for the Company of "waxy" corn (1977 corn crop was brought in at a substantially lower cost than 1975); the Company's corn cost basis reflects two years' crops at any one time.

4) The effect of some operating leverage

5) Increased profitability from several of the subsidiaries

The Company also sees 1979 as a good year based upon preliminary estimates (assuming a non-recessionary economic climate). Increased starch capacity, a Permabond plant coming on stream in 1978 and the development of meaningful sales and earnings in the anaerobic adhesives area should contribute to improved earnings.

Structure of the Transaction

The structure that has been proposed for the acquisition of Buttondown would involve a tax-free exchange of low dividend nonvoting preferred shares of a subsidiary of Unilever U.S. ("Newco") for shares of Buttondown contemporaneous with a reverse subsidiary cash merger involving a subsidiary of Newco and Buttondown (capital contribution of cash made by Unilever). The transaction would be an offer to all shareholders with the terms of the preferred set such that only low-basis shareholders would likely find the security attractive. A 4% dividend rate has been mentioned by Lazard. Liquidation preference of the shares would be equal to price to price per share paid in connection with the cash merger and 2/3 of the holders of the preferred stock could elect 51% of the directors of the Company in the event of default under the terms of the preferred. Holders of the preferred would be allowed to optionally redeem shares at any time after the minimum holding period of five years (minimum for tax-free treatment under Section 351); Newco could optionally redeem starting 20 to 30 years after issuance. The tax-free nature of the exchange offer depends upon the transaction standing as a discrete exchange of property under Section 351 of the

IRC. The firms of Cravath, Swaine & Moore (representing Unilever) and Debevoise, Plimpton, Lyons & Gates (representing Buttondown) have reviewed the tax implications of the transaction and have sought IRS staff guidance at the group chief level. No negative comments have been received; however, it is clear that a tax ruling will have to be obtained on this matter.

Several key questions arise as to the exchange of this preferred stock:

1) How many holders would be inclined to take the preferred?

2) What assets (credit) will be available to secure the preferred as to dividend and probable redemption?

3) How can liquidity for this security be generated in the near term?

Prospective Preferred Holders

The profile of individual shareholders provided by the Company suggests that as many as approximately 1.64 million shares or about 25% of the common stock of Buttondown might be exchanged for the preferred stock (see Exhibit VIII). This would create an outstanding principal amount of preferred stock in the Newco holding company of as much as approximately $115 million. If only Mr. and Mrs. Greenwall were to exchange their shares (1 million shares), approximately $70 million of preferred would be created.

<u>Assets (Credit) Available for Dividend Service and Redemption</u>

The structure which has been tentatively agreed upon by Unilever would provide for the contribution by Unilever (to the Newco holding company) of sufficient funds, in addition to the funds required for the cash merger, to allow redemption of 100% of the aggregate liquidation value of the preferred stock. The funds so contributed would then be protected in Newco by a set of restrictive covenants that would, in effect, "lock" the redemption funds into Newco. Since the funds may not be specifically segregated for the benefit of the preferred holders (i.e., the assets of the company are held for the benefit of all shareholders; a segregation would disallow the tax-free treatment for those receiving the preferred) substantial restrictive covenants have been designed for Buttondown Corporation. Such covenants (which have been designed along the lines of an "A" credit) would protect the asset base in the case of default and enhance the ongoing security of the preferred shareholders. Lazard and Unilever are agreeable as to the 100% cash contribution but oppose the restrictive covenants at the Company level.

Other options for securing the servicing of the preferred and funds for redemption include:

1. a subscription agreement with Unilever U.S. guaranteed by Unilever
2. a Unilever guarantee on all the financial obligations of Buttondown such that no creditor of Buttondown would attempt to restrict or attach the redemption funds in

Newco should Buttondown develop financial difficulty

3. A covenant restricting Newco such that net tangible assets of Newco could not be less than the greater of (1) twice the liquidation value of the then outstanding preferred stock or (2) the liquidation value of the then outstanding preferred stock plus $50 million.

Liquidity for Preferred Shares during the Waiting Period

While no discussions have been held with a commercial bank, it is expected that the preferred stock would be a "bankable security". It is the Team's preliminary view that if cash equal to the redemption value of the preferred is "sterilized" in Newco and cash cannot be leaked out, this fact plus the moral obligation of Unilever to reduce the preferred should permit holders to borrow against the security.

Prospective Business Combinations

The Company was approached by and progressed substantially toward a deal with Merck & Co. in 1970. It is thought by Buttondown management that the terms of the transaction would have included a tax-free exchange of common stock with certain provisions as to continuity of management. Mr. Greenwall and management currently feel that a tax-free transaction involving a U.S. acquiror in the oil, chemical, forest products, pharmaceuticals or consumer products businesses would not be unacceptable. Greenwall and management are extremely sensitive as to the future prospects for personnel in the Company and are very interested in Buttondown retaining strategic autonomy in a business sense. Management also feels that some synergy may exist with the Unilever organization given a) the nature of the Unilever chemical, paper, plastics and packaging operations (U.K., Netherlands, Australia, South Africa, Germany) and b) the strong consumer products orientation of Unilever United States, Inc. (sales and net income for the year ended December 31, 1976—$1.15 billion and 40.1 million respectively; see consolidated financial statements for Unilever United States, Inc., at Exhibit XXIII).

A summary analysis of U.S. companies with which Buttondown might combine utilizing a tax-free exchange of shares is found at Exhibit XIV. The criteria for inclusion of prospective acquiror companies are:

1) Engaged in the oil, chemical, forest products, pharmaceutical or consumer products business

2) Transaction would result in less than 10% earnings per share dilution for the acquiror

3) Market value of the acquiror greater than or equal to $750 million.

[Exhibit 15-O]

EXHIBIT XV

PROJECT BUTTONDOWN

Buttondown Corporation

Analysis of Customers of Buttondown Corporation(1)

	Nine Months Ended September 30, 1977	
	Amount (000)	%
Net Sales	$279,215	100.0%
Procter & Gamble	7,161	2.6
International Paper	4,181	1.5
Crown Zellerbach	3,974	1.4
Johnson & Johnson	3,787	1.4
Scott Paper	3,382	1.2
Westvaco	2,782	1.0
Kimberly Clark	2,206	0.8
Weyerhaeuser Co.	2,090	0.7
Georgia Pacific	1,889	0.7
Kraftco Corp.	1,882	0.7
Campbell Soup	1,800	0.6
Champion International	1,587	0.6
Boise Cascade	1,575	0.6
Gerber Products Co.	1,492	0.5
Owens Corning	1,406	0.5
Anderson Corp.	1,349	0.5
Bemis Co.	1,250	0.4
Mead Corp.	1,212	0.4
Continental Can	1,162	0.4
American Can	1,128	0.4
Federal Paper Board	1,099	0.4
Beatrice Foods	1,074	0.4
General Foods	1,061	0.4

H. J. Heinz	1,059	0.4
Hammermill Paper	995	0.4
St. Regis Paper	969	0.3
ITT Continental Baking	931	0.3
Agway Inc.	928	0.3
Borden Co.	887	0.3
Mobil Oil Corp.	858	0.3
	$ 57,156	20.4%

NOTE: (1) Companies listed are the top 30 Buttondown Corporation customers. These are Parent company customers only.

kmf:mdh:RBE:2/15/78

[Exhibit 20-T]

MORGAN STANLEY & CO.
Incorporated
1251 Avenue of the Americas
New York, N.Y. 10020

July 10, 1978

Board of Directors
National Starch and Chemical Corporation
10 Finderne Avenue
Bridgewater, New Jersey 08807

Dear Sirs:

National Starch and Chemical Corporation ("National") has entered into an agreement with Unilever United States, Inc. ("Unilever U.S."), a wholly-owned subsidiary of Unilever N.V. (Unilever N.V. and Unilever Limited are the parent companies of the Unilever Group, which is herein collectively called "Unilever"), National Starch and Chemical Holding Corporation ("Holding"), a wholly-owned subsidiary of Unilever U.S., and NSC Merger, Inc. ("Subsidiary"), a wholly-owned subsidiary of Holding, providing for the acquisition of National through the consummation of a merger (the "Merger") under which Subsidiary will merge into National. The Merger is conditioned upon and will be immediately preceded by completion of an exchange offer (the "Exchange Offer") to National stockholders by Holding.

The terms of the proposed transactions are set forth in the Proxy Statement and in the Prospectus attached thereto, each dated the date hereof, expected to be mailed to National stockholders as soon as practicable hereafter and in the "Agreement and Plan of

Merger" which appears as Annex I to the Proxy Statement. The terms of the proposed Merger provide that a cash payment of $73.50 per share will be made to all holders of shares of National, other than holders who have deposited shares in the Exchange Offer and other than Holding. The terms of the proposed Exchange Offer provide that stockholders who deposit shares for exchange pursuant thereto will receive shares of $3.31 Preferred Stock of Holding ($73.50 liquidation value) on a share-for-share basis. Upon completion of the Exchange Offer together with the consummation of the ensuing Merger, National will become a wholly-owned subsidiary of Holding. All National stockholders may therefore elect either the $73.50 per share cash proceeds of the proposed Merger or the Preferred Stock of Holding, such stock to be issued on a share-for-share basis. You have asked for our opinion as to whether the terms of the proposed Merger and related Exchange Offer taken as a whole are fair and equitable to the National stockholders from a financial point of view.

In connection with our review of the proposed transactions we have studied, among other things, National's earnings, cash flow, dividends and book value, both in the aggregate and on a per share basis, as well as National's current capitalization. We have studied the consolidated financial statements for recent years and for interim periods to date and other relevant financial and operating data for National available from published sources and internal records. We have also reviewed internal financial projections for National and discussed the business and prospects of National with certain of National's management and we have visited certain of National's facilities. We have analyzed published information of certain other companies, have compared National from a financial point of view with these other companies and have reviewed the terms of comparable business combinations. We have also reviewed the stock market trading price range of National's Common Stock from 1972 to date and have compared these data with statistics for other comparable companies and with market indices. We have read the Proxy Statement and the Prospectus referred to above and the "Agreement and Plan of Merger" which appears as Annex I to the Proxy Statement and we have relied upon the information supplied by National, Unilever U.S. and Unilever contained therein.

We have reviewed the proposed financial structure of Holding and have reviewed certain financial information furnished to us by Unilever U.S. including, among other things, the earnings, cash flow, book value and current capitalization both of Unilever U.S. and of its constituent companies, Thomas J. Lipton, Inc. ("Lipton") and Lever Brothers Company ("Lever"). We have also discussed the business and prospects of Lipton and Lever as well as those of Unilever with certain of their respective management.

We have made such other analyses and examinations as we have deemed necessary.

We have not independently verified the information concerning National, Unilever U.S. or Unilever or other data which we have considered in our review, except as indicated herein, and for purposes of the opinion set forth below we have assumed the accuracy of all such information.

Based upon the foregoing, we are of the opinion that the terms of the proposed Merger and related Exchange Offer taken as a whole are fair and equitable to the National stockholders from a financial point of view.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By Robert F. Greenhill
Managing Director

[Exhibit 21-U]

NATIONAL STARCH AND CHEMICAL CORPORATION
10 Finderne Avenue
Bridgewater, New Jersey 08807

July 10, 1978

Dear Stockholder:

A Special Meeting of Stockholders of the Company, in lieu of the Annual Meeting, will be held on August 15, 1978, as set forth in the Notice of Special Meeting of Stockholders, to vote upon an Agreement and Plan of Merger providing for a merger under which the Company would become a subsidiary of National Starch and Chemical Holding Corporation ("Holding"), a newly incorporated subsidiary of Unilever United States, Inc., which is wholly-owned by Unilever N.V., all as described in the attached Proxy Statement. Upon the merger, which is subject to the approval of the holders of two-thirds of the outstanding shares of the Company's Common Stock, holders of Common Stock of the Company would receive a cash payment of $73.50 per share. At the Special Meeting, stockholders will also vote for the election of directors and the ratification of the appointment of auditors.

After careful consideration, the Board of Directors of the Company believes that the approval of the proposed merger is in the best interests of stockholders and that the terms of the proposed merger are fair and equitable. The Board of Directors therefore recommends that you vote FOR the merger proposal as set forth in the Notice of Special Meeting of Stockholders.

Anna A. and Frank K. Greenwall, who own beneficially in the aggregate 944,436 shares of Common Stock of the Company, or approximately 14.4% of the outstanding shares, have indicated their support for the merger and have agreed to vote such shares for and against the proposed merger in the same proportion as the vote cast by all other stockholders voting upon the merger. Mr. Greenwall is a Director and Chairman of the Executive Committee of the Company

The enclosed Proxy Statement more fully describes the proposed merger, its terms and related information, and you are urged to study carefully the Proxy Statement and each of the annexes.

Attached to the Proxy Statement is an Exchange Offer prospectus by Holding. Under the Exchange Offer, all stockholders are being offered the alternative of exchanging their shares of the Company, immediately prior to the effectiveness of the merger, on a tax-free basis, for shares of a newly issued non-voting preferred stock, with a par value of $73.50 per share and cumulative annual dividend of $3.31 per share (4.5% per annum), of Holding. As a result of the merger, in which a subsidiary of Holding will be merged into the Company, Holding will own all the shares of the Company. The preferred stock, which is restricted as to transferability and will not be listed, is subject to mandatory and optional redemption as more fully described in the Exchange Offer. The attached Exchange Offer prospectus more fully describes the proposed Exchange Offer, its terms and related information, and you are urged to study the prospectus carefully. Your attention is directed in particular to the discussion in the Exchange Offer of federal income taxes and the desirability of consulting a tax advisor.

Stockholders whose shares are exchanged pursuant to the Exchange Offer will not participate in the merger with respect to such shares and, therefore, will not receive $73.50 per share in cash upon consummation of the merger. **However, all stockholders of record on July 10, 1978, even if participating in the Exchange Offer, are entitled to vote on the merger proposal.** The Exchange Offer will not be consummated unless the merger has been approved by holders of two-thirds of the outstanding shares of the Company's Common Stock and all other conditions to the merger have been satisfied or waived. The conditions to the consummation of the merger and the Exchange Offer are described in the enclosed Proxy Statement and Exchange Offer prospectus.

You are urged to vote FOR the proposals to be presented to the Special Meeting of Stockholders as set forth in the Notice of Special meeting of Stockholders and, if you do not expect to be at the Meeting, please mark, sign and mail the enclosed proxy in the enclosed self-addressed envelope as soon as possible.

Sincerely,

/s/ Donald D. Pascal

Chairman

/s/ Carlyle G. Caldwell

President and Chief
Executive Officer

NATIONAL STARCH AND CHEMICAL CORPORATION

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS (IN LIEU OF ANNUAL MEETING)

To be held August 15, 1978

To the Stockholders:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of NATIONAL STARCH AND CHEMICAL CORPORATION (the "Company") will be held at Bankers Trust Company, 280 Park Avenue, New York, New York, on August 15, 1978, at 10 A.M., New York time, for the following purposes:

(1) To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of March 16, 1978 (a copy of which is attached to the accompanying Proxy Statement as Annex I), which provides for the merger of NSC Merger, Inc. (a wholly-owned subsidiary of National Starch and Chemical Holding Corporation which in turn is a subsidiary of Unilever United States, Inc.) into the Company and the payment to the holders of the Company's Common Stock (other than National Starch and Chemical Holding Corporation) of $73.50 in cash for each of their shares, all of which will be cancelled.

(2) To elect 10 directors to serve until the next Annual Meeting of Stockholders and until their successors have been duly elected and qualified.

(3) To consider and vote upon a proposal to ratify the action of the Board of Directors in appointing Main Lafrentz & Co. as accountants to

audit the accounts and records of the Company and certify the financial statements of the Company for the year 1978.

(4) To transact such other business as may properly come before the meeting or any adjournment thereof.

Holders of record of the Common Stock of the Company at the close of business on July 10, 1978, are entitled to vote at the meeting.

By order of the
Board of Directors,

HERBERT J. BAUMGARTEN
Vice President and
Secretary

10 Finderne Avenue
Bridgewater, New Jersey 08807
July 10, 1978

If you do not expect to be present at the meeting, please mark, date and sign the enclosed form of proxy and return it in the enclosed postage-paid envelope.

IF YOU DO NOT MARK YOUR PROXY FOR OR AGAINST THE MERGER, IT WILL BE VOTED FOR THE MERGER.

NATIONAL STARCH AND CHEMICAL CORPORATION

PROXY STATEMENT

INTRODUCTION

General

This Proxy Statement is being furnished to the stockholders of National Starch and Chemical Corporation (the "Company") in connection with the solicitation of proxies by the Company's management for use at the Special Meeting of Stockholders, in lieu of the Annual Meeting, and at any adjournment thereof, called for the purposes set forth in the accompanying Notice of Special Meeting. Mailing of this Proxy Statement and the accompanying form of proxy to the stockholders is to be commenced on July 11, 1978. The address of the Company's principal executive offices is 10 Finderne Avenue, Bridgewater, New Jersey 08807.

The Company has entered into an Agreement and Plan of Merger, dated as of March 16, 1978 (the "Merger Agreement"), among the Company, NSC Merger, Inc. ("Subsidiary"), Unilever United States, Inc. ("Unilever U.S.") and National Starch and Chemical Holding Corporation ("Holding"), a copy of which is attached as Annex I to this Proxy Statement. Under the Merger Agreement, a merger (the "Merger") would take place whereby the Company would become a wholly-owned subsidiary of Holding, which in turn is a subsidiary of Unilever U.S., and the stockholders of the Company (other than Holding) would receive $73.50 per share in cash. The terms of the Merger are set out more fully herein under the heading "The Proposed Merger—Terms of the Merger". Consummation of the Merger is subject to the fulfillment or waiver of certain conditions at the filing of the Merger Agreement pursuant to Delaware law. See "The Proposed Merger—Conditions to the Merger" and "The Proposed Merger—Amendment or Termination of the Merger Agreement or Waiver of Conditions", below.

The holders of the Company's Common Stock have the right to dissent from the Merger and demand appraisal of their shares. To exercise such right, a stockholder must file a written demand for appraisal *prior* to the vote on the Merger at the Special Meeting. Such right would be waived by voting or giving a proxy in favor of the Merger or by delivering an unmarked proxy. See "The Proposed Merger—Appraisal Rights of Dissenting Stockholders", below.

Attached to this Proxy Statement is a prospectus relating to an exchange offer (the "Exchange Offer") by Holding to issue one share of its new non-voting preferred stock, par value $73.50 per share, entitled to cumulative annual dividends at the rate of $3.31 (4.5% per annum) per share (the "Holding Preferred Stock"), in exchange for each share of Company Common Stock tendered pursuant to the Exchange Offer. Stockholders whose shares of Company Common Stock are exchanged will *not* receive $73.50 in cash for such shares; however, all stockholders of record on July 10, 1978, even if participating in the Exchange Offer, are entitled to vote on the Merger proposal. The Exchange Offer will not be consummated unless all conditions to the Merger have been satisfied or waived.

At the Special Meeting, the stockholders will elect 10 directors to hold office until the election of directors at the next Annual Meeting of Stockholders. If the Merger is consummated, it is the present intention of

Holding that the 10 directors who are elected will be invited to remain in office. See "Election of Directors", below, for a list of the nominees for director and other information concerning directors and officers.

The stockholders are also being asked to vote upon a proposal to ratify the action of the Board of Directors of the Company in appointing Main Lafrentz & Co. as accountants to audit the accounts and records of the Company and certify the financial statements of the Company for the year 1978. See "Appointment of Auditors", below.

Date, Time and Place of Special Stockholders' Meeting

The Special Meeting of Stockholders of the Company will be held on August 15, 1978, at 10:00 A.M., New York time, at Bankers Trust Company, 280 Park Avenue, New York, New York.

Record Date; Voting

The close of business on July 10, 1978, has been fixed as the record date for the determination of holders of outstanding shares of Company Common Stock entitled to notice of and to vote at the Special Meeting of Company stockholders. On that date there were issued and outstanding 6,563,930 shares of Company Common Stock, each entitled to one vote per share.

The approval of the Merger will require the affirmative vote of two-thirds of the outstanding shares of Company Common Stock. See "The Proposed Merger—Agreement with the Principal Stockholders", below, as to the agreement by holders of 14.4% of the outstanding shares to vote for and against the Merger in the same proportion as all other stockholders voting on the Merger.

A plurality of the votes cast, either in person or by proxy, is necessary to elect directors, and a majority of the votes cast, either in person or by proxy, is necessary to ratify the appointment of Main Lafrentz & Co. as the Company's independent auditors.

Shares represented by properly executed and unrevoked proxies will be voted at the Special Meeting in accordance with the directions contained therein. **If no direction is made with respect to the Merger, the election of directors or the ratification of the appointment of auditors, the shares represented by such proxy will be voted (1) for adoption of the Merger Agreement, (2) for the election as directors of the nominees named below, or (3) for ratification of the appointment of Main Lafrentz & Co. as auditors of the accounts of the Company, as the case may be.** A stockholder executing and returning a proxy has the power to revoke it at any time before it is exercised. Such revocation, to be effective, must be either communicated in writing to the Secretary of the Company or effected by attendance at the meeting.

Proxy Solicitations

The cost of proxy solicitations will be borne by the Company. In addition to solicitations of proxies by use of the mails, some officers or employees of the Company, without extra remuneration, may solicit proxies personally or by telephone. In addition, Georgeson & Co., a proxy solicitation firm, has been retained to assist in the solicitation of proxies. The charges of such firm are estimated at $5,000, plus expenses. The Company will also request brokers, dealers, banks, and their nominees to solicit proxies from their clients, where appropriate, and will reimburse them for reasonable expenses related thereto. See "The Proposed Merger—Expenses", below.

THE PROPOSED MERGER

The detailed terms of, and conditions to, the Merger are set forth in the Merger Agreement, which is attached to this Proxy Statement as Annex I. The statements made in this Proxy Statement are qualified by, and made subject to, the more complete information set forth in the Merger Agreement.

All information contained in this Proxy Statement with respect to Subsidiary, Holding, Unilever U.S., Unilever N.V., Unilever Limited and the Exchange Offer has been supplied by Unilever U.S. for inclusion herein.

Parties to the Merger Agreement

The parties to the Merger Agreement are the Company, Unilever U.S., Holding and Subsidiary.

Unilever U.S., a Delaware corporation and a subsidiary of Unilever N.V., a Netherlands corporation, will, upon consummation of the Exchange Offer and the Merger, own all of the common stock of Holding. All of the Holding Preferred Stock will be held upon consummation of the Merger and the Exchange Offer by former stockholders of the Company who have exchanged their Company Common Stock for Holding Preferred Stock in the Exchange Offer. Unilever U.S.

is also the holder of all the outstanding voting stock of Lever Brothers Company and of Thomas J. Lipton, Inc. See "Unilever Group of Companies" in the Exchange Offer prospectus.

Holding, a Delaware corporation, has been recently organized for the purpose of participating in the proposed Merger and Exchange Offer. Upon the consummation of such transactions, Holding will own all of the Common Stock of the Company and certain other securities. See "National Starch and Chemical Holding Corporation and Subsidiaries" in the Exchange Offer prospectus.

Subsidiary was organized as a wholly-owned Delaware subsidiary of Holding solely for the purpose of effecting the Merger. All of the outstanding capital stock of Subsidiary is owned by Holding. The sole asset of Subsidiary is $1,000, and it has no liabilities other than its obligations under the Merger Agreement.

All of the expenses incurred by Unilever U.S., Holding and Subsidiary in connection with the Merger will be paid by Unilever U.S.

Terms of the Merger

Under the Merger Agreement, Subsidiary will merge with and into the Company, which will be the surviving corporation. Effective upon the Merger:

(1) all of the outstanding shares of the Company's Common Stock (other than treasury shares and shares referred to in (3) below) shall be cancelled and each holder of such Common Stock will be entitled to receive $73.50 in cash for each share held (see "The Proposed Merger—Ex-

change of Company Common Stock Certificates for Cash", below);

(2) each share of Subsidiary's common stock (all of which are held by Holding) shall be converted into one share of common stock of the surviving corporation, without any action on the part of or payment to Holding;

(3) all shares of the Company's Common Stock held by Holding (which will be shares, if any, acquired in the Exchange Offer) shall be cancelled without any payment to Holding; and

(4) all of the Company's then outstanding employee stock options and stock incentive award units issued pursuant to the Company's stock option and incentive plans shall be cancelled and each holder of any thereof shall be entitled to receive a cash payment in the amount and at the time specified in the agreement entered into by such employee and the Company (see "The Proposed Merger—Arrangements with Employees of the Company", below).

Under the Merger Agreement, the Merger will become effective (the "Effective Time") at midnight ending the day of the filing (the "Filing Time") of the Merger Agreement pursuant to Delaware law. It is anticipated that, if the Merger Agreement is approved at the Special Meeting, the filing will take place on August 15, 1978 or on such later date as the parties to the Merger Agreement may agree (but not later than October 30, 1978). The stock transfer books of the Company will be closed at the close of business on the day of such filing and thereafter no transfer of record of certificates representing shares of Company Common Stock will be made.

Under the Merger Agreement, Unilever U.S. will, immediately prior to the Filing Time, make a contribution to Holding of an amount (the "Unilever U.S. Payment") equal to $73.50 times the number of shares of Company Common Stock then outstanding (including shares tendered to Holding in the Exchange Offer), plus the amount payable in connection with the Merger to employees in respect of stock options (and certain shares issued upon exercise of stock options) and stock incentive award units. Up to 15% of such contribution may be represented by an irrevocable letter of credit of a major New York bank, and the balance will be made in cash. Unilever U.S. intends to deliver such a letter of credit drawn on Morgan Guaranty Trust Company of New York in an amount equal to 15% of such contribution.

At the Effective Time, Subsidiary will cease to exist; the Company will be the surviving corporation and will retain its present name. The certificate of incorporation and by-laws of the Company, as in effect immediately prior to the Effective Time, will become the certificate of incorporation and by-laws of the surviving corporation (except that the authorized capital stock of the surviving corporation will be reduced to 1,000 shares of Common Stock and certain provisions no longer relevant will be deleted) and the directors and officers of the Company as of the Effective Time will continue as the directors and officers of the surviving corporation.

If the Merger is consummated, each stockholder will have no further rights with respect to Company Common Stock other than to receive the cash price of