

# CONSECO INC

## FORM 8-K (Current report filing)

Filed 07/05/94 for the Period Ending 06/26/94

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
CIK	0000719241
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

# CONSECO INC

## FORM 8-K (Unscheduled Material Events)

Filed 7/5/1994 For Period Ending 6/26/1994

Address	11825 N PENNSYLVANIA ST CARMEL, Indiana 46032
Telephone	317-817-6100
CIK	0000719241
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (date of earliest event reported):  
June 26, 1994

## CONSECO, INC.

State of Incorporation:  
Indiana

Commission File  
No. 0-11164

IRS Employer Id.  
No. 35-1468632

Address of Principal Executive Offices:  
11825 North Pennsylvania Street  
Carmel, Indiana 46032

Telephone No.  
(317) 573-6100

## CONSECO, INC. AND SUBSIDIARIES

### Item 5. Other Events.

Conseco, Inc., an Indiana corporation (the "Registrant"), KC Acquisition, Inc., a Delaware corporation and a wholly owned subsidiary of the Registrant ("KC Acquisition"), and Kemper Corporation, a Delaware corporation ("Kemper"), have entered into an Agreement and Plan of Merger dated as of June 26, 1994 (the "Merger Agreement"), pursuant to which KC Acquisition will be merged with and into Kemper (the "Merger") in a transaction in which Kemper will be the surviving corporation (the "Surviving Corporation"). As of the effective time of the Merger (the "Effective Time"), the Surviving Corporation will be a wholly owned subsidiary of the Registrant.

As of the Effective Time, by virtue of the Merger, each share of common stock, par value \$5.00 per share, of Kemper ("Common Stock") issued and outstanding immediately prior to the Effective Time (other than shares of Common Stock that are owned by Kemper or any subsidiary or by the Registrant or any subsidiary (excluding shares in trust accounts, managed accounts, custodial accounts and the like that are beneficially owned by third parties as well as shares held in the ordinary course of business by subsidiaries of Kemper or the Registrant that are insurance companies or broker-dealers) and other than shares of Common Stock held by stockholders of Kemper who exercise their appraisal rights) shall be converted into the right to receive (i) \$56.00 per share, without interest, and (ii) the fraction (rounded to the nearest ten-thousandth of a share) of a validly issued, fully paid and nonassessable share of common stock, without par value, of the Registrant ("Conseco Common Stock") determined by dividing \$11.00 by the Average Parent Price (as defined below). The "Average Parent Price" shall be equal to the average of the closing prices of Conseco Common Stock on the New York Stock Exchange ("NYSE") Composite Transactions Reporting System, as reported in The Wall Street Journal, for the 20 trading days immediately preceding the second trading day prior to the Effective Time (the "Trading Average"); provided, however, that if the Trading Average is less than \$45.50, then the Average Parent Price shall be \$45.50, and if the Trading Average is greater than \$55.50, then the Average Parent Price shall be \$55.50.

Each share of (i) Series A Cumulative Convertible Preferred Stock of Kemper, (ii) Series C Cumulative Preferred Stock of Kemper, (iii) Series D Index Exchangeable Preferred Stock of Kemper and (iv) Series E Cumulative Convertible Preferred Stock of Kemper issued and outstanding immediately prior to the Effective Time (other than shares held by preferred stockholders of Kemper who exercise their appraisal rights) will remain outstanding as one validly issued, fully paid and nonassessable share of preferred stock of the Surviving Corporation subsequent to the Effective Time, subject to the respective terms and covenants thereof.

The closing of the Merger is subject to certain conditions set forth in the Merger Agreement, including the approval of the Merger by the affirmative vote of stockholders of Kemper entitled to cast at least a majority of the votes which all stockholders of Kemper are entitled to cast thereon, the approval of the issuance of shares of Conseco Common Stock in the Merger by the affirmative vote of the holders of a majority of the shares present, or represented, and entitled to vote thereon at a meeting of stockholders of the Registrant, the receipt of all required governmental and regulatory consents, the receipt of certain approvals with respect to the registered investment companies for which Kemper or any subsidiary acts as investment adviser or sub-adviser, the receipt of certain consents from the noninvestment company advisory clients of the asset management subsidiaries of Kemper and the obtaining by the Registrant of all financing necessary to pay the aggregate cash consideration payable in connection with the Merger.

## CONSECO, INC. AND SUBSIDIARIES

Prior to the Effective Time, Conseco Capital Partners II, L.P., an affiliate of the Registrant ("CCP II"), will organize CCP II Holdings Corp., a Delaware corporation ("CCP II Holdings"), to acquire an existing life insurance company ("Life Insurance Holdings") and to organize one or more real estate acquisition subsidiaries. Simultaneously with or immediately following the Effective Time, it is anticipated that the Surviving Corporation will sell all of the issued and outstanding shares of capital stock of each of the subsidiaries of Kemper engaged in the life insurance business and activities related thereto to Life Insurance Holdings and certain subsidiaries of Kemper engaged in holding interests in real estate businesses and activities related thereto will be merged with and into one or more of the real estate acquisition subsidiaries. In addition, it is anticipated that simultaneously with or immediately following the Effective Time, Kemper Financial Services, Inc., a Delaware corporation ("KFS"), will transfer all of the broker-dealer businesses of KFS and all of the property and assets related thereto into a new wholly owned subsidiary of KFS.

Pursuant to a letter dated as of June 21, 1994, Citibank, N.A., provided the Registrant with financing commitments for senior secured debt facilities of up to \$1,223,500,000 required to consummate the Merger and related transactions, consisting of secured term facilities of up to \$723,500,000 to the Surviving Corporation and a secured bridge facility of up to \$100,000,000 to the Surviving Corporation and a secured term facility of up to \$400,000,000 to CCP II Holdings.

Pursuant to a letter dated as of June 22, 1994, Morgan Stanley & Co. Incorporated confirmed to the Registrant that it is highly confident that it could arrange, as exclusive placement agent or lead managing underwriter, for the sale of up to \$350,000,000 of senior subordinated debentures to be issued by the Surviving Corporation and up to \$400,000,000 of senior subordinated debentures to be issued by CCP II Holdings.

Pursuant to a letter dated as of June 23, 1994, CCP II confirmed to Kemper that it is prepared to enter into an agreement to acquire from Kemper all of the outstanding capital stock of Federal Kemper Life Assurance Company and Kemper Investors Life Insurance Company, together with certain related real estate businesses, for an aggregate purchase price of \$1,350,000,000. CCP II anticipates financing such acquisitions with the proceeds of the \$400,000,000 secured term bank facility to CCP II Holdings referred to above, the \$400,000,000 of senior subordinated debentures to be issued by CCP II Holdings referred to above, \$250,000,000 of pay-in-kind preferred stock to be issued by CCP II Holdings and \$300,000,000 of equity to be contributed by the limited partners of CCP II.

A copy of the joint press release of the Registrant and Kemper, dated June 27, 1994, relating to the above-described transactions is attached hereto as Exhibit 99 and is incorporated herein by reference.

## CONSECO, INC. AND SUBSIDIARIES

### Item 7. Financial Statements, Pro Forma Financial Statements and Exhibits.

The following exhibit is filed with this report:

Exhibit Number -----	Description -----
99	Joint press release of the Registrant and Kemper issued June 27, 1994, regarding the Merger Agreement.

**CONSECO, INC. AND SUBSIDIARIES**

**SIGNATURE**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 1, 1994  
**CONSECO, INC.**

By: LAWRENCE W. INLOW

Lawrence W. Inlow Executive Vice President and General Counsel

**CONSECO, INC. AND SUBSIDIARIES**

**EXHIBIT INDEX**

Exhibit Number	Description
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**FOR IMMEDIATE RELEASE**

**CONSECO AND KEMPER SIGN DEFINITIVE MERGER AGREEMENT; CONSECO TO PURCHASE ALL KEMPER SHARES FOR \$67.00 IN CASH AND STOCK**

Carmel, IN and Long Grove, IL: June 27, 1994 -- Consecos, Inc. (NYSE:CNC) and Kemper Corporation (NYSE:KEM) today jointly announced that they have signed a definitive merger agreement providing for all Kemper shareholders to receive \$67 in a combination of cash and stock for each of their shares. Under the merger agreement, a wholly owned subsidiary of Consecos will be merged into Kemper. It is contemplated that the combined entity would operate under the Kemper name.

In the merger, each of the issued and outstanding shares of Kemper common stock would be converted into the right to receive \$56.00 in cash and a fraction of a share of Consecos common stock determined by dividing \$11.00 by the average closing price of Consecos common stock prior to the merger (such fraction to be not more than 0.2418 nor less than 0.1982).

Based on Consecos's closing price on Friday, June 24, 1994, the total consideration would be \$67.00 per Kemper share, and the total value of the transaction would be approximately \$3.25 billion, based on the number of fully diluted Kemper shares and existing Kemper long-term debt and non-convertible preferred stock.

"We are delighted that Kemper and Consecos are coming together to form one of the leading financial services companies in the United States," said Stephen C. Hilbert, founder and chairman of the board of Consecos. "We have a great regard for Dave Mathis and his team and look forward to a smooth transition in the combination of our two companies."

"We have great respect for Consecos and look forward to working with them," said David B. Mathis, chief executive officer of Kemper Corporation. "Our board has unanimously concluded that this agreement is in the best interests of our shareholders."

The merger agreement provides that, prior to July 6, 1994, under certain circumstances, the board of directors of Kemper may terminate the agreement and accept a proposal made by another party, upon payment to Consecos of \$25 million and reimbursement of its out-of-pocket expenses. Thereafter, if Kemper receives a proposal from another party, Kemper may terminate the agreement upon payment to Consecos of \$100 million and reimbursement of its out-of-pocket expenses.

(more)

Consummation of the merger is subject to customary terms and conditions, including approval by the stockholders of Kemper and Conseco, regulatory approvals and approvals by the boards and shareholders of Kemper's mutual funds, and to obtaining the required financing.

At the closing, it is contemplated that Conseco Capital Partners II, L.P. (CCP II), Conseco's life insurance acquisition vehicle, will purchase Kemper's life insurance and real estate subsidiaries from Conseco.

Conseco and CCP II have obtained a commitment letter from Citibank N.A. to provide in excess of \$1.22 billion of senior secured bank financing for the transaction. Morgan Stanley & Co. Incorporated has provided Conseco with a letter stating that it is highly confident that up to \$750 million of subordinated debt financing will be available for the transaction. The remaining cash required for the merger, approximately \$550 million (including estimated transaction, restructuring and other costs), is to be provided by Conseco and other existing investors in CCP II.

Upon completion of the transaction, Conseco and its CCP II affiliate would have more than \$85 billion in assets under management, total net revenues and annual collected premiums of \$4.2 billion, and 9,000 employees; they would provide a broad range of financial services to individual and institutional customers.

Kemper, headquartered in Long Grove, Illinois, is a financial services holding company with principal operations in asset management, life insurance and securities brokerage. Kemper has approximately \$90 billion in life insurance in force and operates one of the 10 largest full-service brokerage firms in the United States. Kemper has the nation's seventh-largest mutual fund family, with \$45 billion in assets under management, and also manages \$22 billion in assets for Kemper's life insurance companies and other institutional customers.

Conseco, which began operations in 1982, generates earnings from three primary activities: operating life insurance companies; providing fee-based services to affiliates and other financial institutions; and acquiring and restructuring life insurance companies through specially formed acquisition vehicles.

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Press & Analyst Contacts:  
For Conseco, Inc.

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Joele Frank or Ann Hance, Abernathy/MacGregor/Scanlon, (212) 371-5999

For Kemper Corporation:  
Steve Radis, Kemper Corporation, (708) 320-5552 Elliot Schrage or Davis Weinstock, Clark & Weinstock, (212) 953-2550

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**End of Filing**

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