A Case Study In Financial Brilliance

Teledyne, Inc.

Dr. Henry E. Singleton

Leon G. Cooperman
Chairman and CEO
Omega Advisors, Inc.

November 28, 2007

Exhibit 2

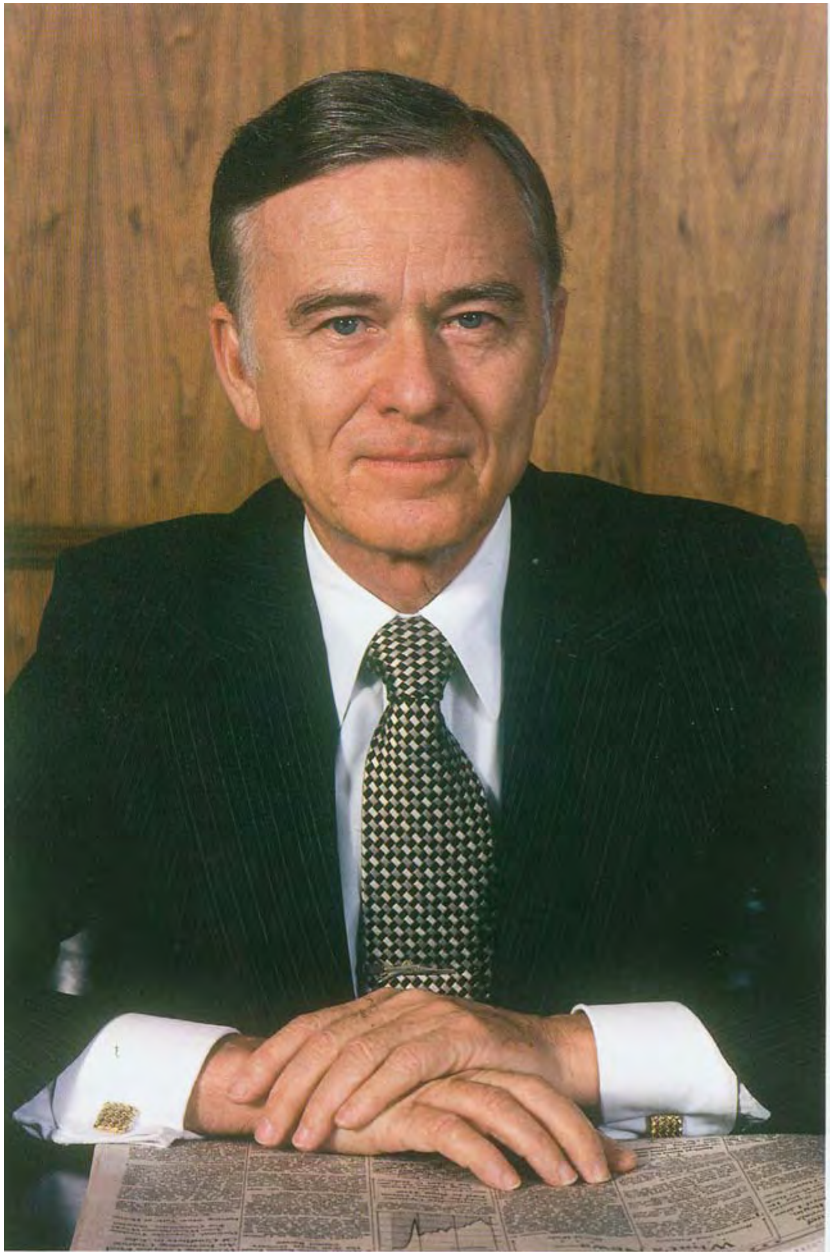


Exhibit 3

Buffett considers that Henry Singleton of Teledyne has the best operating and capital deployment record in American Business. When I asked if he did not consider Tom Murphy of Capital Cities to be equally outstanding, Buffett smiled and said, "Well, Murph plays a simpler game," but added that part of the great business ability is to get into simple games. Singleton's return on assets, calculated in the way that Buffett likes to do it (Inventory *plus* fixed assets), is unique. All four major industry groups in Teledyne are in fully competitive areas; none has a special protected niche; and yet all four earn 50 percent on assets. The company earns $250 million after tax, with very conservative accounting.

Singleton bought 130 businesses for "Chinese paper," as it used to be called, when his stock was riding high. Then when the market, and his stock, fell he reversed field and the last eight years hasn't acquired a single company; on the contrary, by buying his stock back he has shrunk his capital from 40 million shares to 12 million.

According to Buffett, if one took the top 100 business school graduates and made a composite of their triumphs, their record would not be as good as that of Singleton, who incidentally was trained as a scientist, not an MBA. The failure of business schools to study men like Singleton is a crime, he says. Instead, they insist on holding up as models executives cut from a McKinsey & Company cookie cutter.

Excerpt from Pages 24 & 25 of The Money Masters

Author: John Train, Publisher: Harper & Row, Published: 1980

Exhibit 4

Teledyne, Inc. Historical Summary

Year	Sales	Net Income	Net Income Per Share	Assets	Shareholders' Equity
1986	$3,241.4	$238.3	$20.35	$2,744.2	$1,636.6
1985	3,256.2	546.4	46.66	2,775.4	1,577.4
1984	3,494.3	574.3	37.69	2,790.7	1,159.3
1983	2,979.0	304.6	14.87	3,852.2	2,641.2
1982	2,863.8	269.6	13.05	3,290.7	2,111.1
1981	3,237.6	421.9	20.43	2,904.5	1,723.2
1980	2,926.4	352.4	15.62	2,575.9	1,410.2
1979	2,705.6	379.6	15.02	2,050.8	1,288.6
1978	2,441.6	254.4	9.63	1,588.2	890.3
1977	2,209.7	201.3	7.53	1,443.1	702.2
1976	1,937.6	137.6	4.78	1,228.5	516.1
1975	1,715.0	101.7	2.57	1,136.5	489.3
1974	1,700.0	31.5	0.55	1,108.9	477.8
1973	1,455.5	66.0	1.01	1,227.4	532.8
1972	1,216.0	59.3	0.67	1,127.8	484.0
1971	1,101.9	57.4	0.62	1,064.8	606.1
1970	1,216.4	61.9	0.69	952.6	576.3
1969	1,294.8	58.1	0.68	938.1	502.0
1968	806.7	40.3	0.56	602.4	316.5
1967	451.1	21.3	0.38	336.7	152.6
1966	256.8	12.0	0.29	170.4	90.2
1965	86.5	3.4	0.16	66.5	34.8
1964	38.2	1.4	0.10	35.0	13.7
1963	31.9	0.7	0.06	23.9	8.6
1962	10.4	0.2	0.02	10.8	3.5
1961	4.5	0.1	0.01	3.7	2.5

In millions except per share amounts.

As reported in the Company's annual reports, adjusted for stock dividends and splits.

Years 1967 through 1982 were restated for certain accounting changes.

Exhibit 5

The Strategic Positioning of Teledyne

Strategy One – Growth Through Acquisition – 1961-1969

Strategy Two – Intensively Manage Your Business – 1970-1981

Strategy Three – Repurchase Your Undervalued Equity – 1972-1984

Strategy Four – Stocks Preferable to Bonds for the Taxable Investor – 1976-1982

Strategy Five – Simplify the Corporate Structure and Focus Management – 1986-1992

Exhibit 6

Comparison of Selected Financial Characteristics

(Data through 1981)

	Teledyne, Inc.		S&P 400		Teledyne Relative to S&P 400	
	10-Year	3-Year	10-Year	3-Year	10-Year	3-Year
EBIT margins(a)	13.5%	20.5%	11.9%	11.3%	1.13X	1.81X
Return on assets	18.1	24.5	14.5	14.6	1.25	1.68
Return on equity	19.3	25.9	14.2	15.3	1.36	1.69
Sustainable growth(b)	32.1	34.9	9.6	10.3	3.34	3.39
Book value growth	32.7	35.0	8.8	9.3	3.72	3.76
EPS growth	50.0	26.0	10.8	7.5	4.63	3.47
Leverage	1.91X	1.64X	1.86X	1.90X	1.03X	0.86X

(a) EBIT is earnings before interest and taxes.

(b) ROE times retention rate.

Exhibit 7

Teledyne Self-Tender Offers
1972-1984

Announcement Date	Share Price On Prior Day ($)	Tender Price ($)	Premium (%)	Shares * Offered (Millions)	Shares ** Tendered (Millions)	Shares Outstanding Prior to Tender (Millions)	Shares Tendered As A Percent Of Outstanding
9/14/72	$16.375	$20 Cash	22%	1	8.9	31.9	27.9%
12/13/73	10.875	14 Cash + 50 cents Broker Fee	28.7	4	1.6	23.2	6.9
5/31/74	10.75	20 p.a. 10% deb. OID 67.75% =13.55	26	1	3.9	22.2	17.6
12/4/74	7.875	16 p.a. 10% deb. OID 68.875% =11.02	40	1	1.9	18.3	10.4
4/30/75	12.25	18 Cash	47	1	3.6	18.4	19.6
2/6/76	32	40 Cash + 25 cents Broker Fee	25	1	2.5	13.6	18.4
5/2/80	95.125	160 p.a. 10% deb. OID 80.875% =129.40	36	1	3.0	13.9	21.6
5/9/84	155.75	200 Cash	28	5	8.7	20.3	42.9

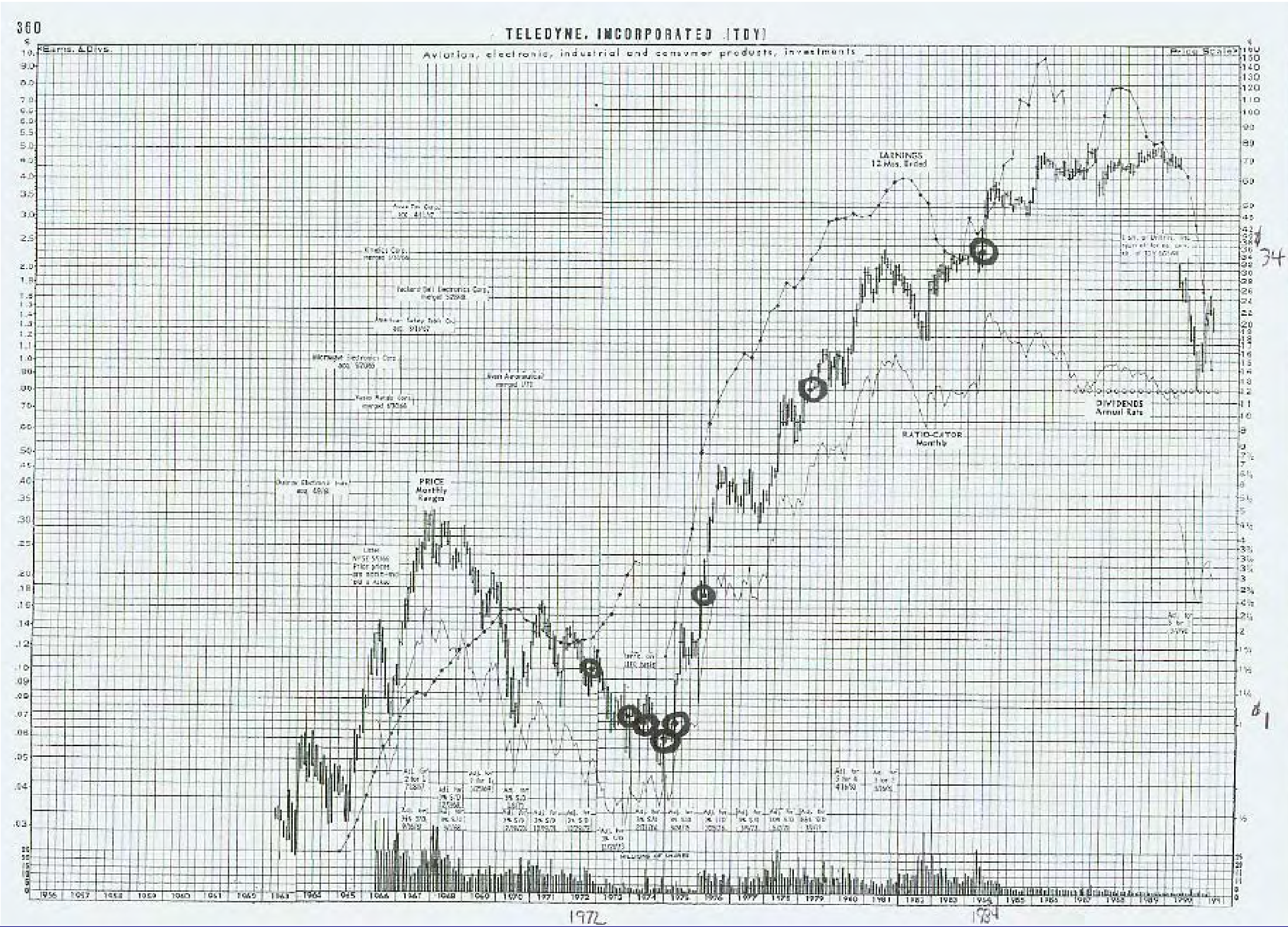
* Always had right to accept more

** All shares tendered accepted

Exhibit 8

Source: FRB, and Omega Advisors, Inc.

Exhibit 9



TELEDYNE, INCORPORATED (TDY)
Aviation, electronic, industrial and consumer products, investments
Earns. & Divs.
Price Scale
EARNINGS
12 Mos. Ended
PRICE
Monthly
Range
DIVIDENDS
Annual Rate
RATIO-CATOR
Monthly
34
1972
1984

Exhibit 10

Let's Take a Closer Look at the 5/1984 Tender

5/9/84 close

$155 ¾ x 20.3mm shares = $3.16 B Market Cap

Buyback = 8.7mm shares x $200 = $1.74 B

New Shares Outstanding = 11.6mm (42.9% reduction)

90 Days Later

Stock Price $300 x 11.6mm shares = $3.48 B Market Cap

So despite having $1.74 B less assets, the company's market cap rose by $320mm! In that period, the overall market was largely unchanged.

I would also note that Dr. Singleton used cash in the offer and not debt. He avoided getting caught with high cost fixed rate paper at a time when interest rates were set to decline.

Exhibit 11

"There are tremendous values in the stock market, but in buying *stocks*, not entire companies. Buying companies tends to raise the purchase price too high. Don't be misled by the few shares trading at a low multiple of 6 or 7. If you try to acquire those companies the multiple is more like 12 or 14. And their management will say, 'If you don't pay it, someone else will.' And they are right. Someone else does. So it's no acquisitions for us while they are overpriced. I won't pay 15 times earnings. That would mean I'd only be making a return of 6 or 7 percent. I can do that in T-bills. We don't have to make any major acquisitions. We have other things we are busy doing.

As for the stocks we picked to invest in, the purpose is to make as good a return as we can. We don't have any other intentions. We do not view them as future acquisitions. Buying and selling companies is not our bag. Those who don't believe me are free to do so, but they will be as wrong in the future as they have been about other things concerning Teledyne in the past."

February 20, 1978 Issue of Forbes Magazine

Quote of Dr. Henry Singleton

Exhibit 12

Henry Singleton's Mystifying $400-Million Flyer

by A.F. EHRBAR

Over the last two years or so, Henry E. Singleton, the gifted founder and chairman of Teledyne, Inc., has quietly moved more than $400 million of his corporation's funds into the market and bought up some remarkably large positions in eleven FORTUNE 500 companies. Through his far-flung conglomerate, he is now the largest shareholder in nine of those companies and, incredibly, he has effective control of six. Singleton's holdings include: 22 percent of the common stock of Litton Industries, 28.5 percent of Curtiss-Wright, nearly 20 percent of Walter Kidde, 22 percent of Brockway Glass, 18 percent of National Can, and almost 20 percent of Reichhold Chemicals. In addition, he has purchased 8 percent of GAF, 5.5 percent of Rexnord, 5 percent of Colt Industries, 7 percent of Federal Paper Board, and 8 percent of Eltra.

Those holdings are rather unusual, to say the least. They give Singleton an astonishing amount of power over some very large pieces of corporate America. And that influence clearly is Singleton's alone. Though he owns only 6 percent of the company, he runs it like a personal fiefdom, and he made the investment decisions personally. Not even George A. Roberts, Teledyne's president, learned of the purchases until after they had been made.

The vast bulk of the money came from the coffers of Teledyne's two insurance subsidiaries, the Unicoa and Argonaut groups. Virtually all insurance companies keep some of their assets in stocks, of course, but the equity exposure of Unicoa and Argonaut is practically unheard of in the insurance business. At the end of 1976, the stockholdings of Argonaut, a property and casualty group, amounted to more than seven times its net worth. In contrast, most other property and casualty companies have stock holdings that are *less* than their net worth.

The abrupt reshuffling of the insurance portfolios, and the extraordinary concentration of Teledyne's purchases among a handful of companies, has a lot of people wondering what Singleton is up to. Singleton has helped fuel speculation by refusing to discuss the stock positions in detail with anyone, including FORTUNE; the only explanation from Teledyne has been the official, disembodied statement that they are for "investment."

The big positions, however, look like more than mere in-

Research associate: Patricia Hough

66 FORTUNE *January 16, 1978*

Exhibit 13

Stocks Are More Attractive Than Bonds

Company	% Ownership*	
Aetna Life & Casualty	5.0	
Brockway Glass	21.7	
Colt Industries	7.7	
Connecticut General	5.3	
Crown Cork & Seal	8.3	
Curtiss-Wright	28.5	
Eltra Inc.	8.0	
Federal Paper Board	7.0	
GAF	8.0	
International Harvester	10.9	
Kidde, Inc.	20.6	
Litton Industries	22.2	Ultimately got to 28%
National Can	18.3	
Reichold Chemical	22.0	
Rexnord	5.5	
Sem Tech	22.4	
Travelers	5.3	
US Fidelity & Guaranty	7.7	

* Fortune, 1/16/78 and Company Filings

Stock Repurchase

Value Creative or Value Destructive?

Presentation to the Value Investing Congress

Leon G. Cooperman
Chairman and CEO
Omega Advisors, Inc.

November 28, 2007

Exhibit 15

Answer

YES!

Exhibit 16

Warren Buffett on Stock Repurchase

•One usage of retained earnings we often greet with special enthusiasm when practiced by companies in which we have an investment interest is repurchase of their own shares. The reasoning is simple: if a fine business is selling in the market place for far less than intrinsic value, what more certain or more profitable utilization of capital can there be than significant enlargement of the interests of all owners at that bargain price?

Source: 1980 Berkshire Hathaway Annual Report

•The companies in which we have our largest investments have all engaged in significant stock repurchases at times when wide discrepancies existed between price and value. As shareholders, we find this encouraging and rewarding …By making repurchases when a company's market value is well below its business value, management clearly demonstrates that it is given to actions that enhance the wealth of shareholders, rather than to actions that expand management's domain but that do nothing for (or even harm) shareholders. Seeing this, shareholders and potential shareholders increase their estimates of future returns from the business.

•A manager who consistently turns his back on repurchases, when these clearly are in the interests of owners, reveals more than he knows of his motivations. No matter how often or how eloquently he mouths some public relations-inspired phrase such as "maximizing shareholder wealth" (this season's favorite), the market correctly discounts assets lodged with him. His heart is not listening to his mouth—and, after a while, neither will the market.

Source: 1984 Berkshire Hathaway Annual Report

Exhibit 17

S&P 500

	Market Value $ Bill	Operating Earnings $ Bill	Dividends $ Bill	Buybacks $ Bill	Buyback over Dividend	Dividend & Buyback 12M Yield	Comb. Yield less 10-yr T-Note Yield
06/30/2007	$13,349.73	$214.19	$59.44	$157.76	2.65	5.43%	0.58 pp
03/31/2007	12,706.32	200.23	58.32	117.70	2.02	5.34%	0.66
12/31/2006	12,728.86	197.35	61.76	105.18	1.70	5.15%	0.52
09/30/2006	12,019.85	207.22	54.78	109.81	2.00	5.39%	0.50
06/30/2006	11,496.84	198.67	54.46	116.66	2.14	5.34%	0.27
03/31/2006	11,659.69	186.85	53.25	100.18	1.88	4.92%	0.35
12/31/2005	11,254.54	182.03	54.83	104.28	1.90	4.90%	0.41
09/30/2005	11,082.59	169.92	48.99	81.47	1.66	4.58%	0.37
06/30/2005	10,890.01	177.52	49.03	81.42	1.66	4.31%	0.15
03/31/2005	10,819.81	164.97	48.99	82.05	1.68	3.92%	-0.37
12/31/2004	11,288.60	167.20	49.68	66.42	1.34	3.35%	-0.82
09/30/2004	10,397.80	157.47	45.54	45.68	1.00	3.34%	-0.96
06/30/2004	10,623.42	158.12	43.43	42.46	0.98	3.11%	-1.49
03/31/2004	10,461.32	147.42	42.36	42.92	1.01	2.97%	-1.05
12/31/2003	10,285.83	137.65	46.76	38.53	0.82	2.84%	-1.45
09/30/2003	9,207.69	133.22	39.96	34.13	0.85	3.00%	-1.23
06/30/2003	9,001.01	119.34	37.74	28.36	0.75	3.04%	-0.58
03/31/2003	7,826.70	115.16	36.19	30.03	0.83	3.53%	-0.39
12/31/2002	8,107.41	110.03	39.22	30.62	0.78	3.39%	-0.62
09/30/2002	7,518.37	107.07	35.97	35.18	0.98	3.65%	-0.61
06/30/2002	9,090.53	106.90	38.11	30.98	0.81	3.03%	-2.07
03/31/2002	10,501.89	99.31	34.51	30.47	0.88	2.61%	-2.47
12/31/2001	10,463.39	90.59	36.27	32.75	0.90	2.62%	-2.15
09/30/2001	9,436.72	83.04	37.53	34.63	0.92	2.91%	-2.07
06/30/2001	11,027.29	81.24	34.58	33.62	0.97	2.44%	-2.83
03/31/2001	10,384.68	96.03	33.83	31.21	0.92	2.63%	-2.42
Average						**3.76%**	**-0.76 pp**

Source: Standard & Poor's Index Services, FRB, and Omega Advisors, Inc.

Exhibit 18

Observed Types of Buybacks

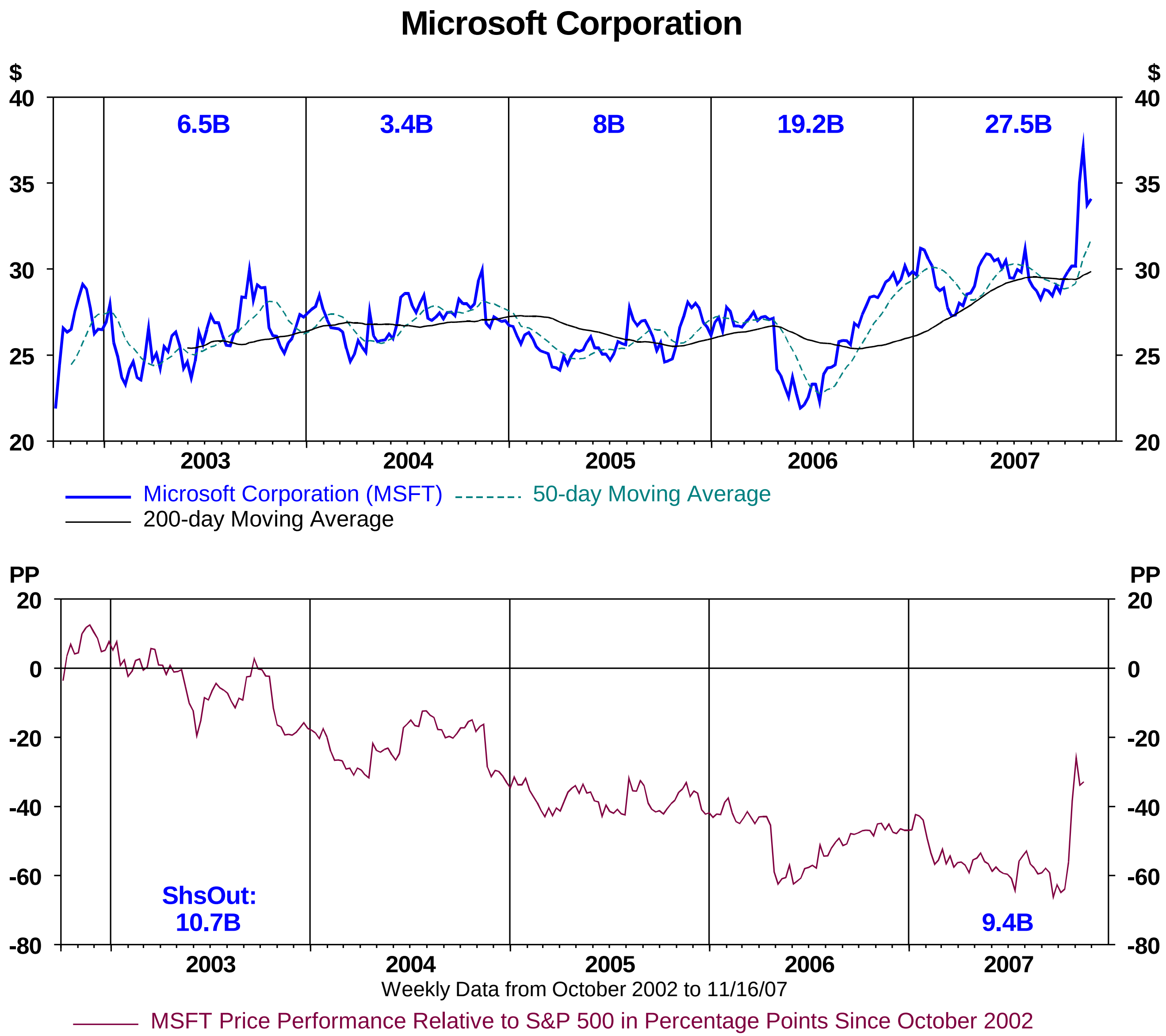
Type 1: No opinion on valuation, but management's attempt to merely offset option dilution to avoid shareholder flack over option creep.

Type 2: Very nefarious conduct on the part of management where companies actively buy back stock to accommodate executives happy to exercise options and sell their stock back to the company at better prices than they would have otherwise received.

Type 3: Management has no opinion on valuation, but is simply returning money to shareholders via repurchase as opposed to a dividend. The reasoning goes as follows: dividends are forever whereas if corporate circumstances change, they can always suspend the buyback program. When I hear that, I remind managements that with the average stock yielding 2%, for every share a corporation buys back, they are buying back 50 years of dividends in one shot. In our view, if a reasonable dividend turns out to be mistake, the corporate purchase program would turn out to be a disaster.

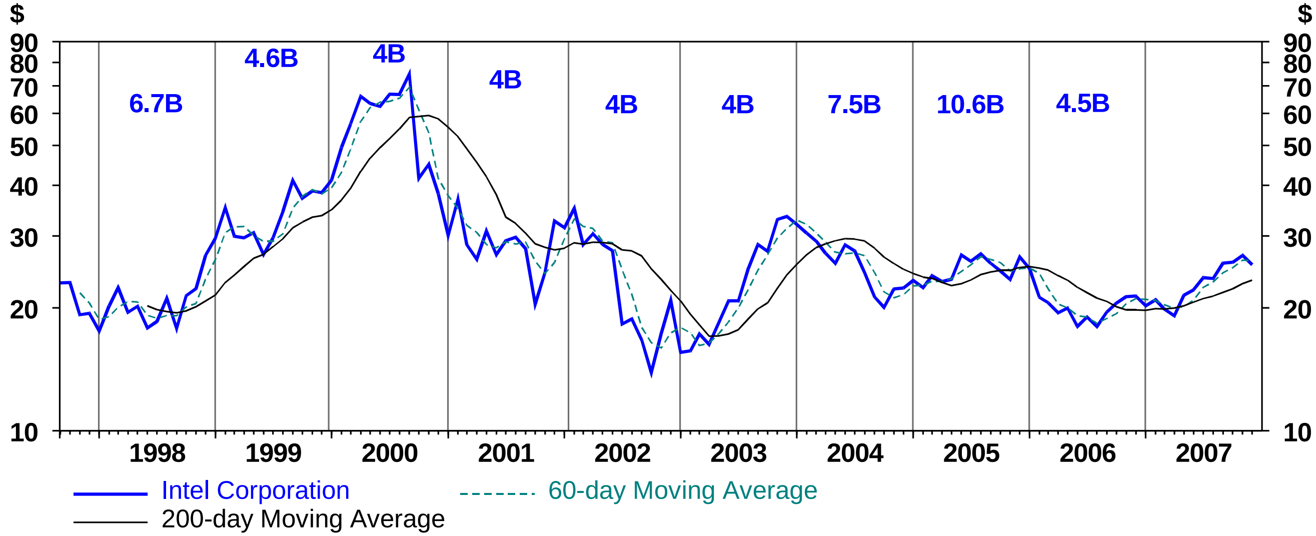
Type 4: The last type of repurchase program is the one that we like and the one that Warren Buffett obviously identified with when he made his comments in the early '80's. That type of program is where managements have correctly identified a mispricing of their equity and by retiring shares they are going to leverage returns to the long-term equity holder. Regrettably, all too few managements have shown an astuteness in identifying such valuation.

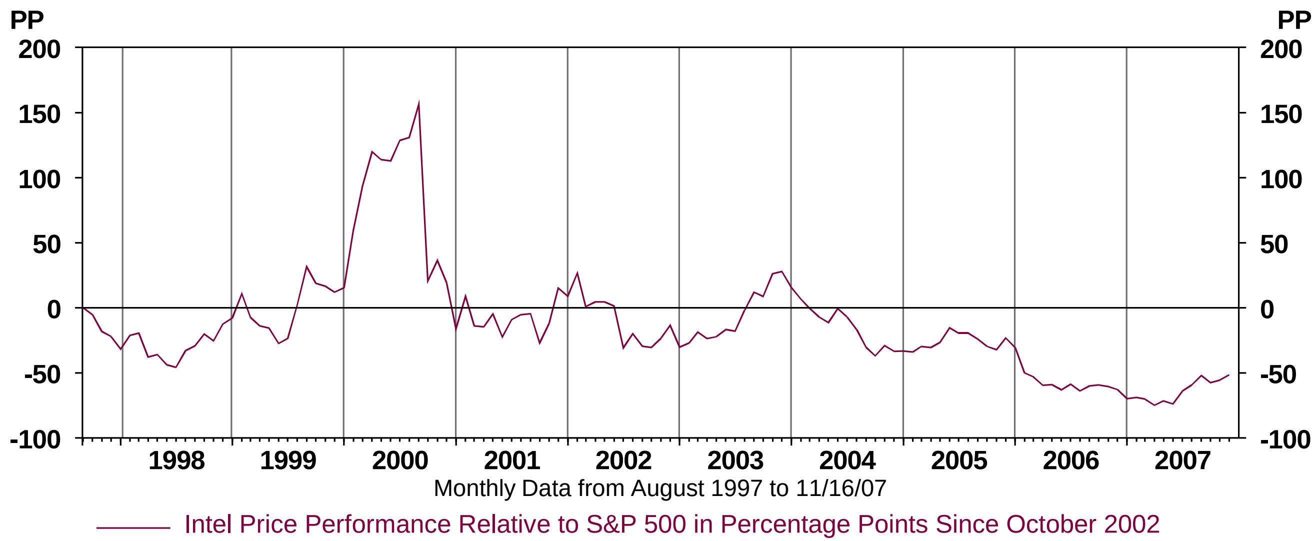
Exhibit 19



Source: FactSet, and Omega Advisors, Inc.

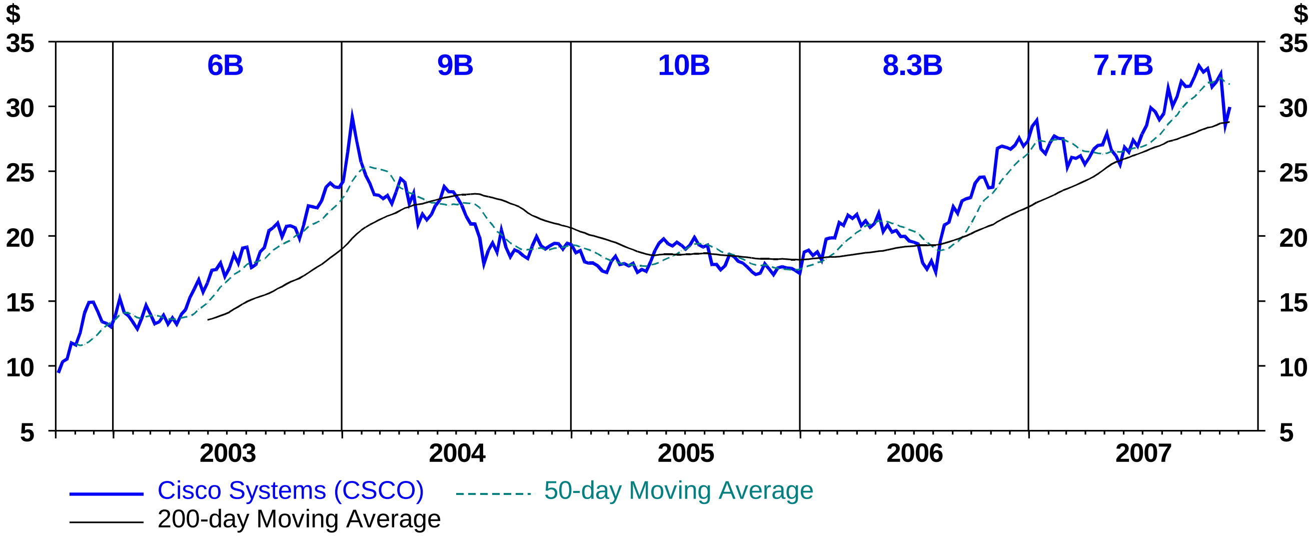
Intel Corporation

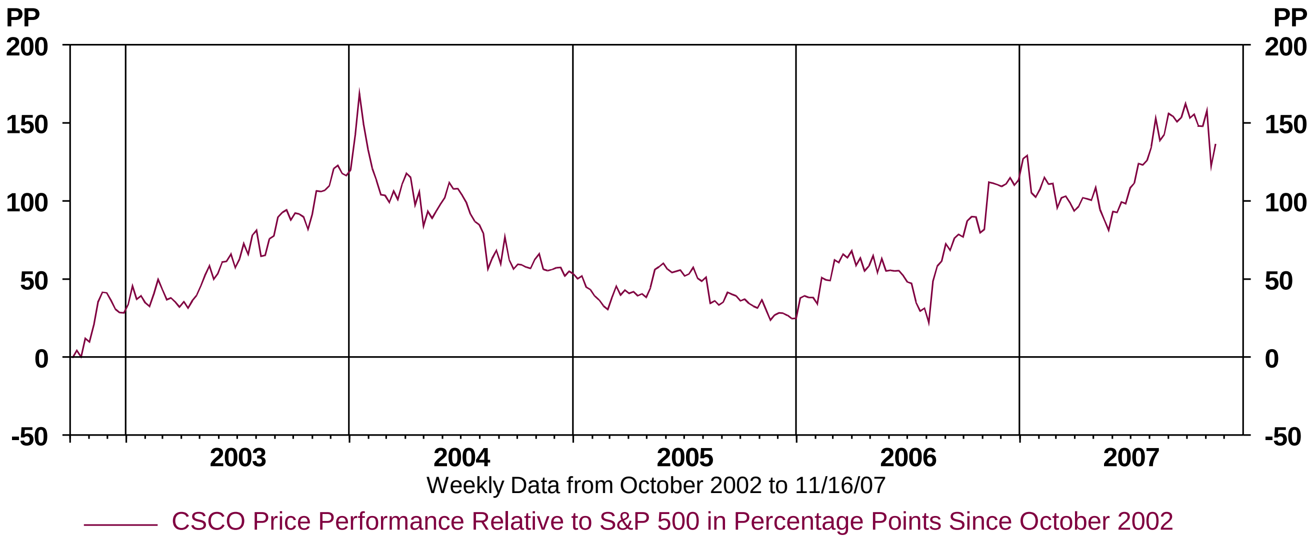




Source: FactSet, and Omega Advisors, Inc.

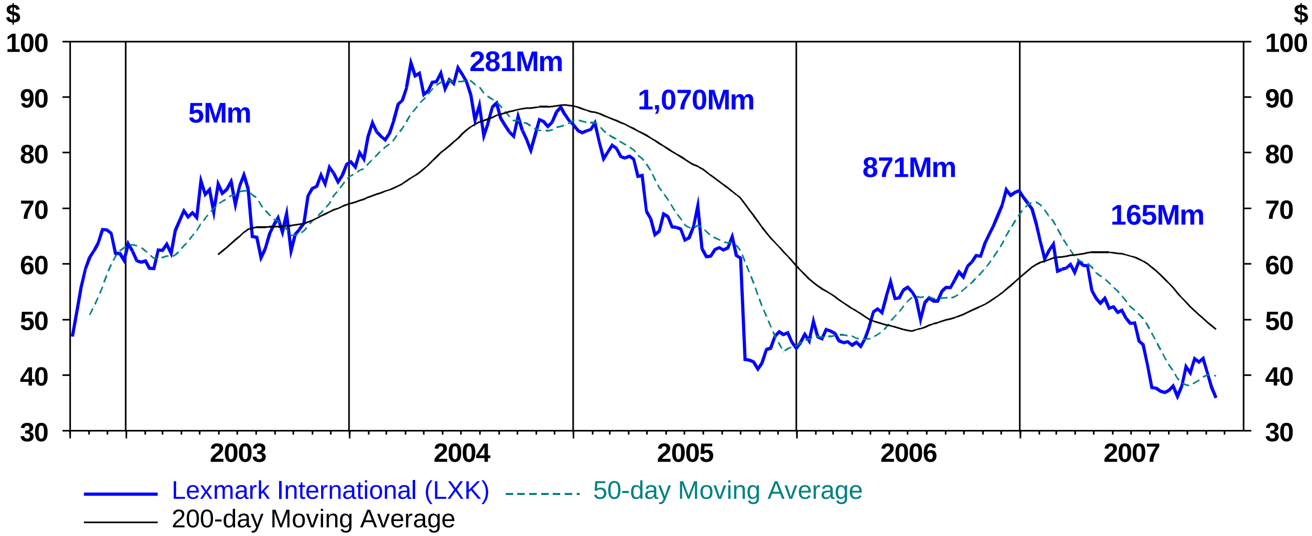
Cisco Systems

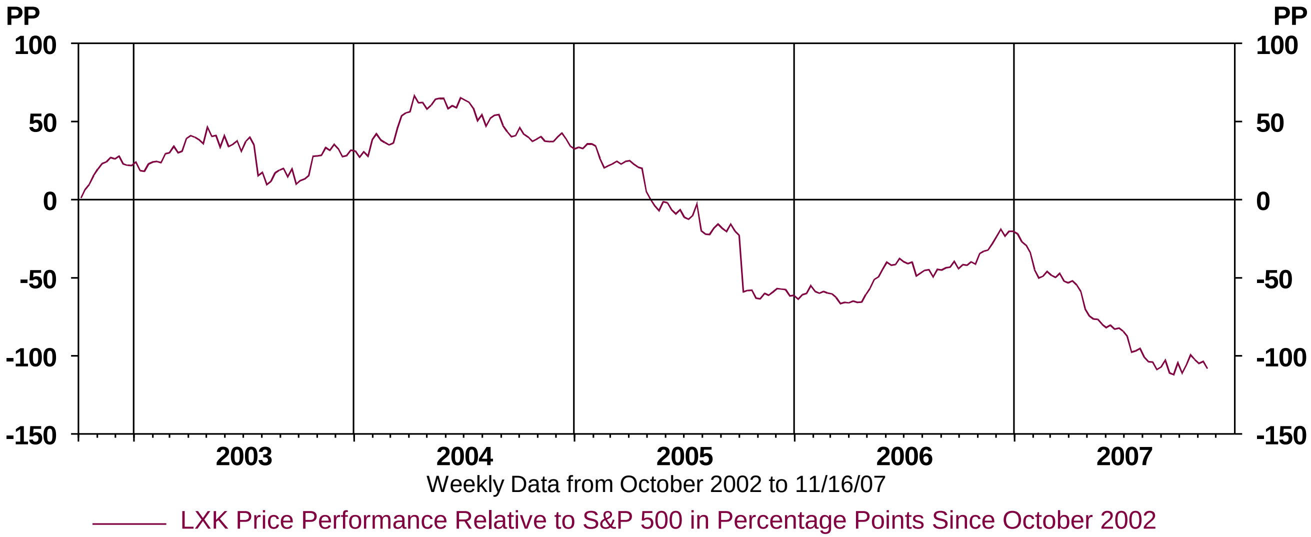




Source: FactSet, and Omega Advisors, Inc.

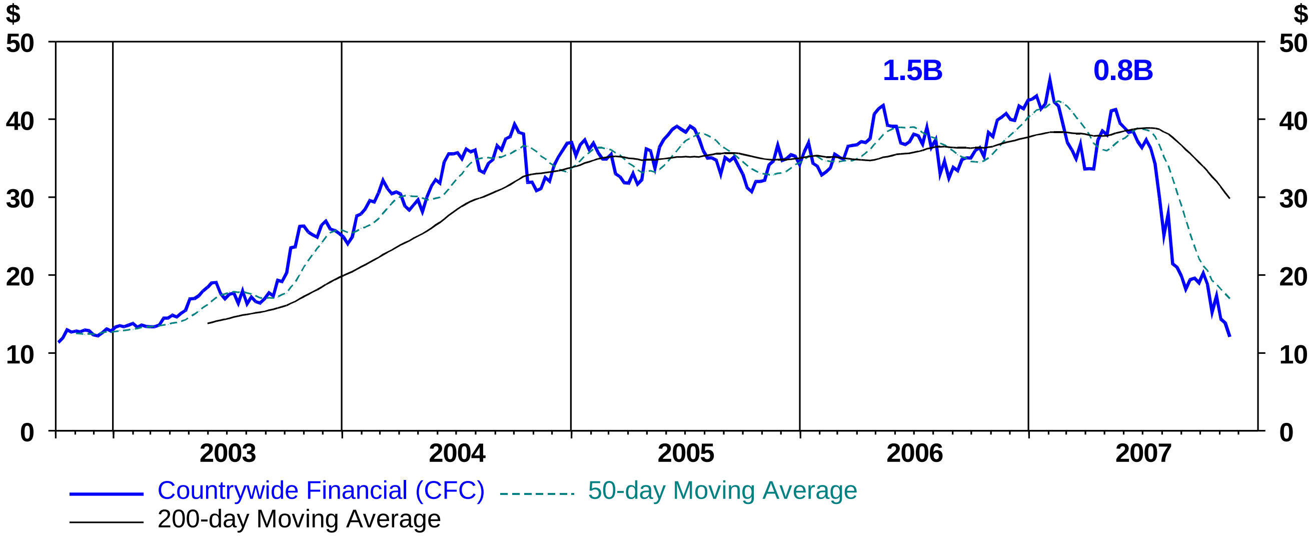
Lexmark International, Inc.

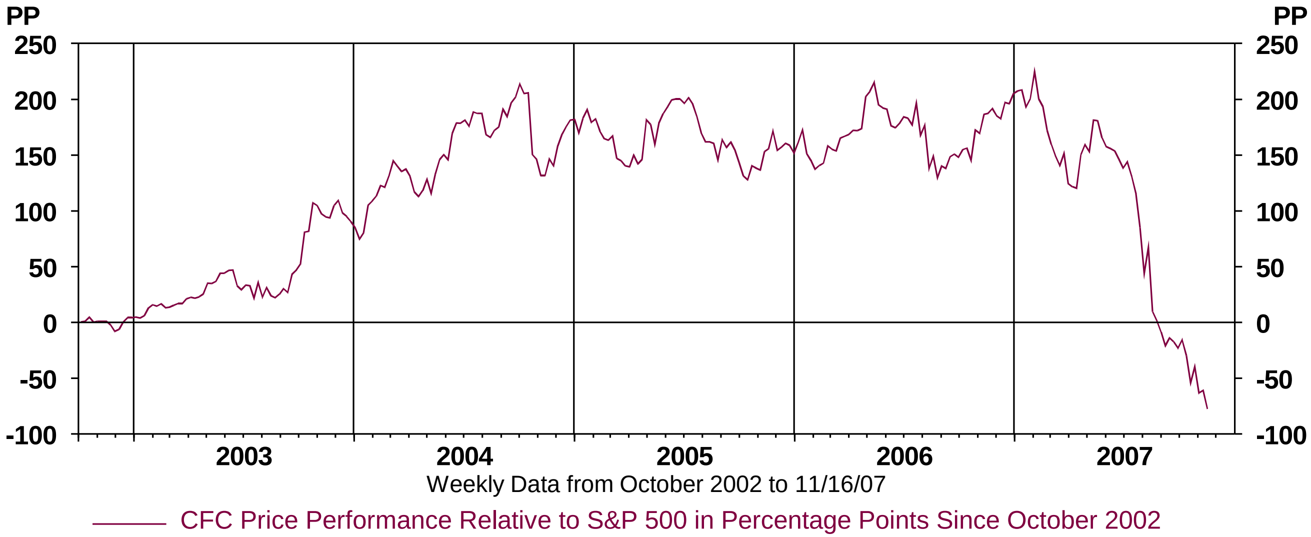




Source: FactSet, and Omega Advisors, Inc.

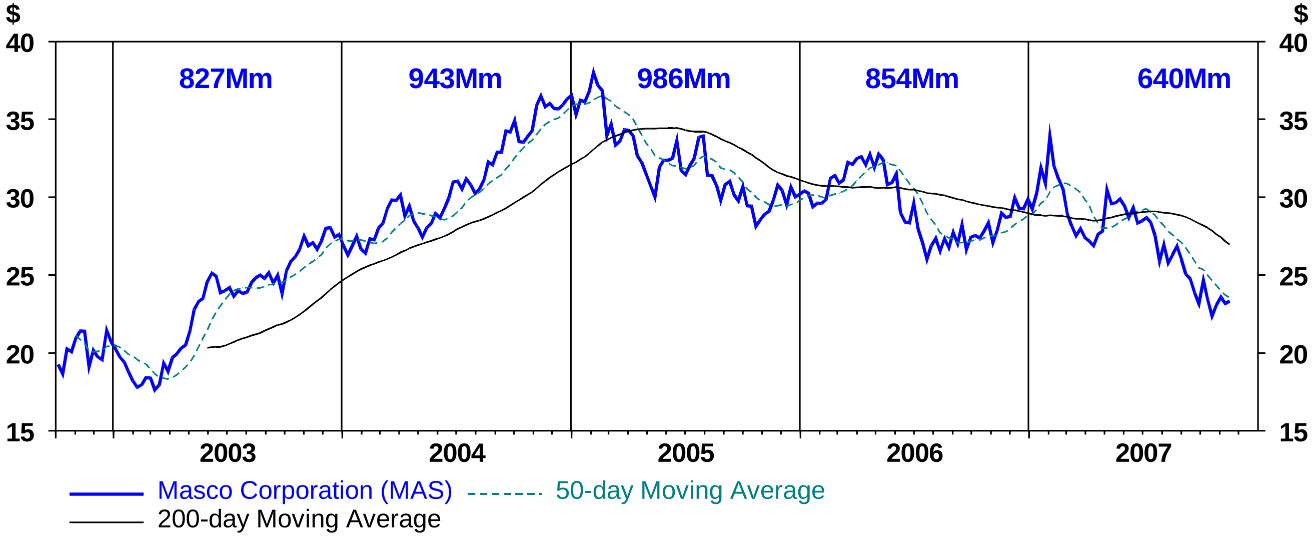
Countrywide Financial Corporation

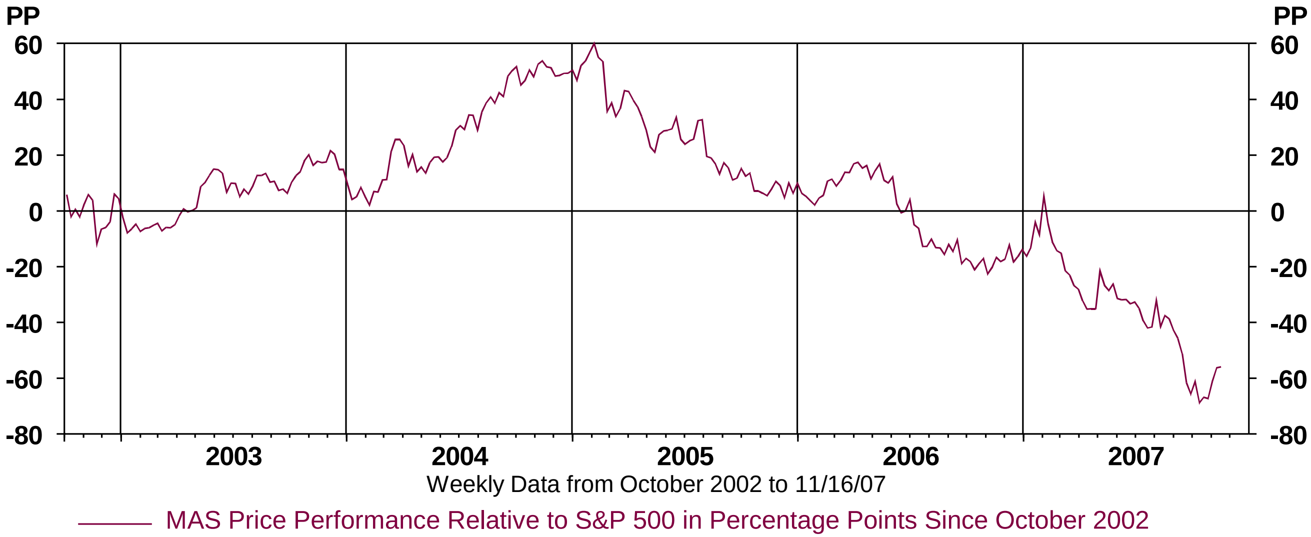




Source: FactSet, and Omega Advisors, Inc.

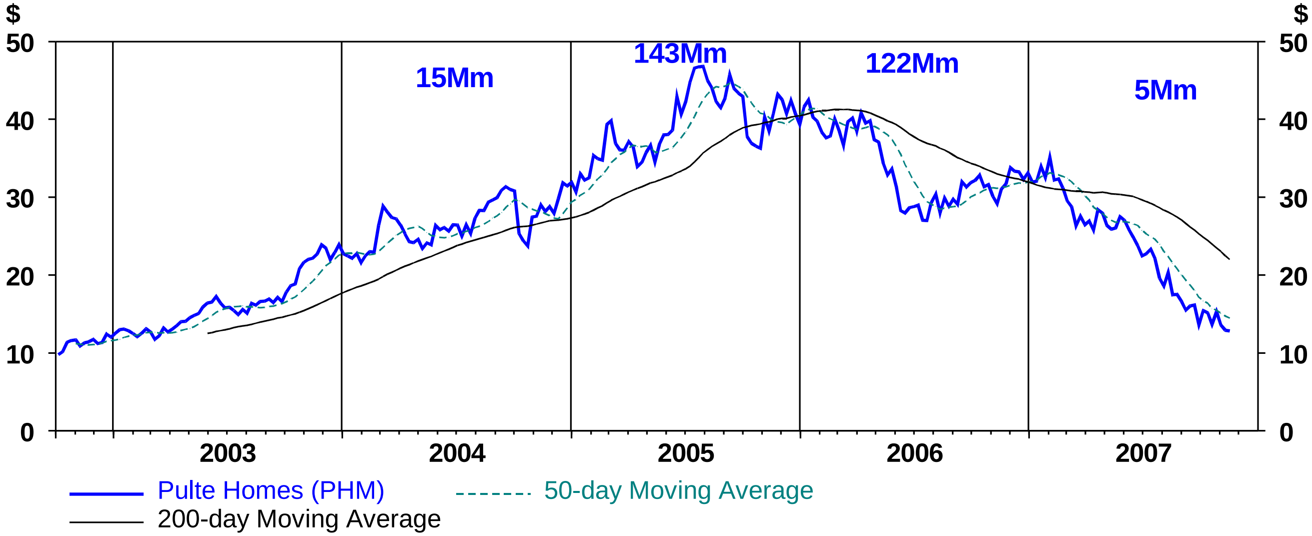
Masco Corporation

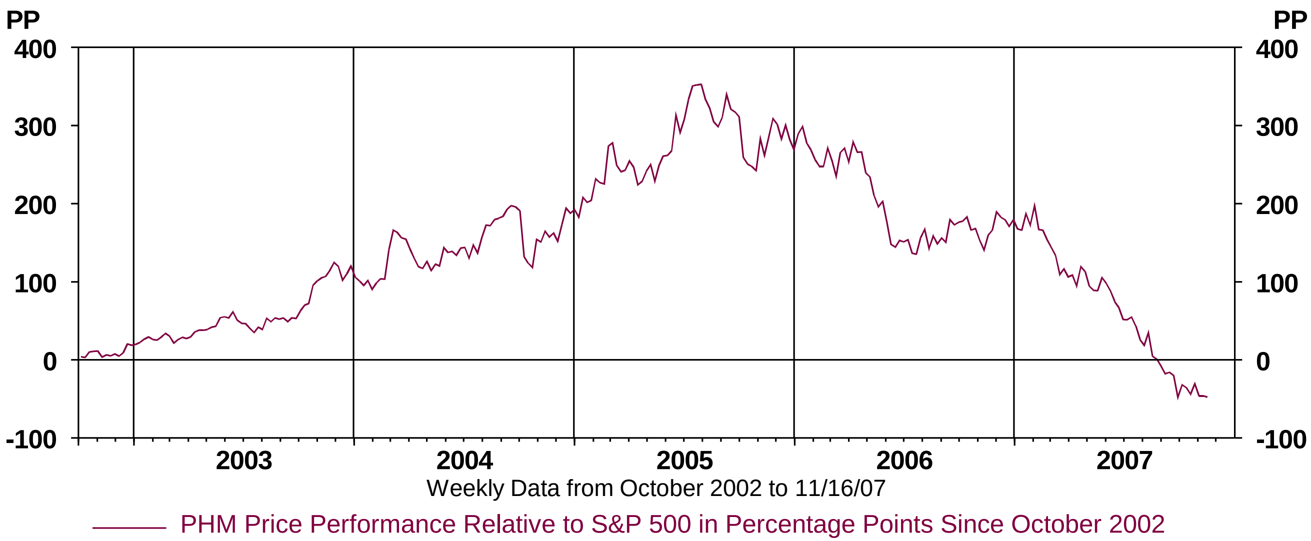




Source: FactSet, and Omega Advisors, Inc.

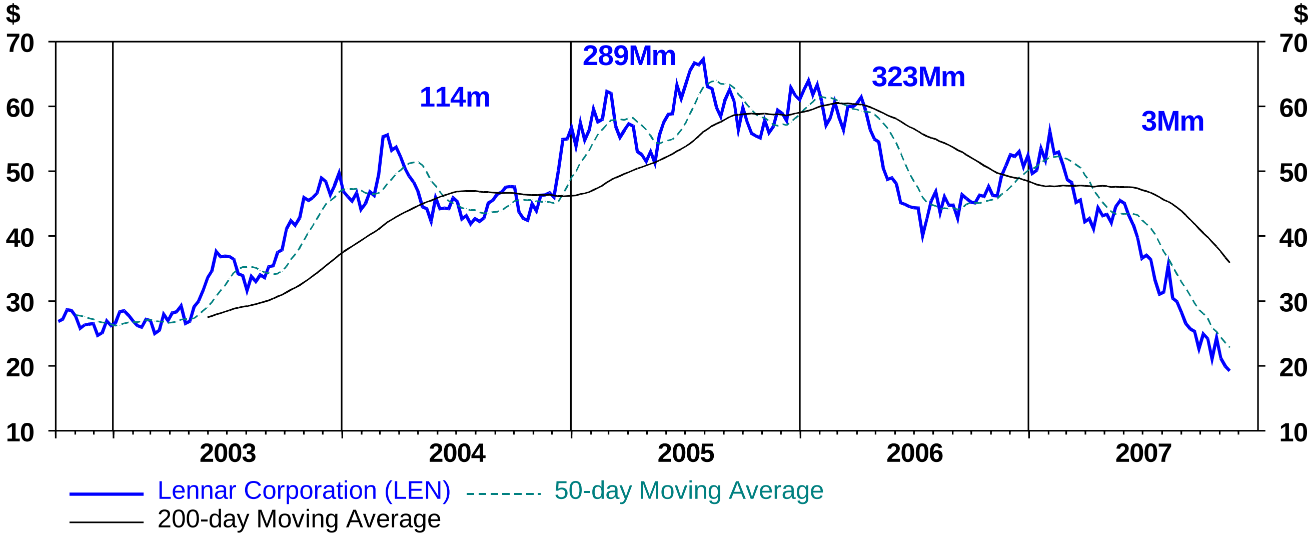
Pulte Homes

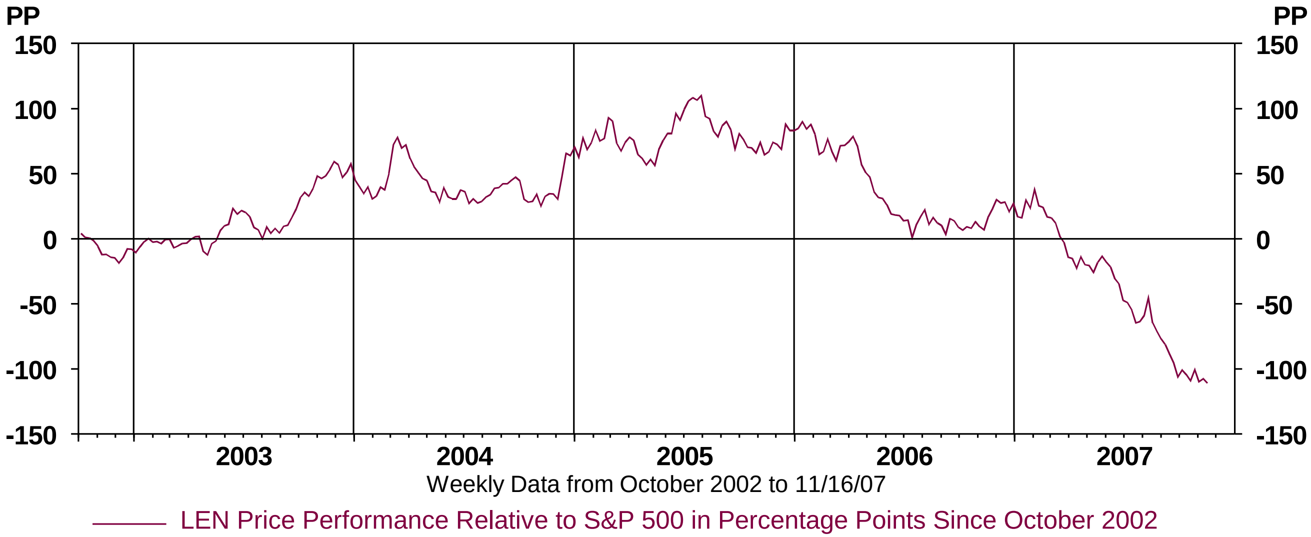




Source: FactSet, and Omega Advisors, Inc.

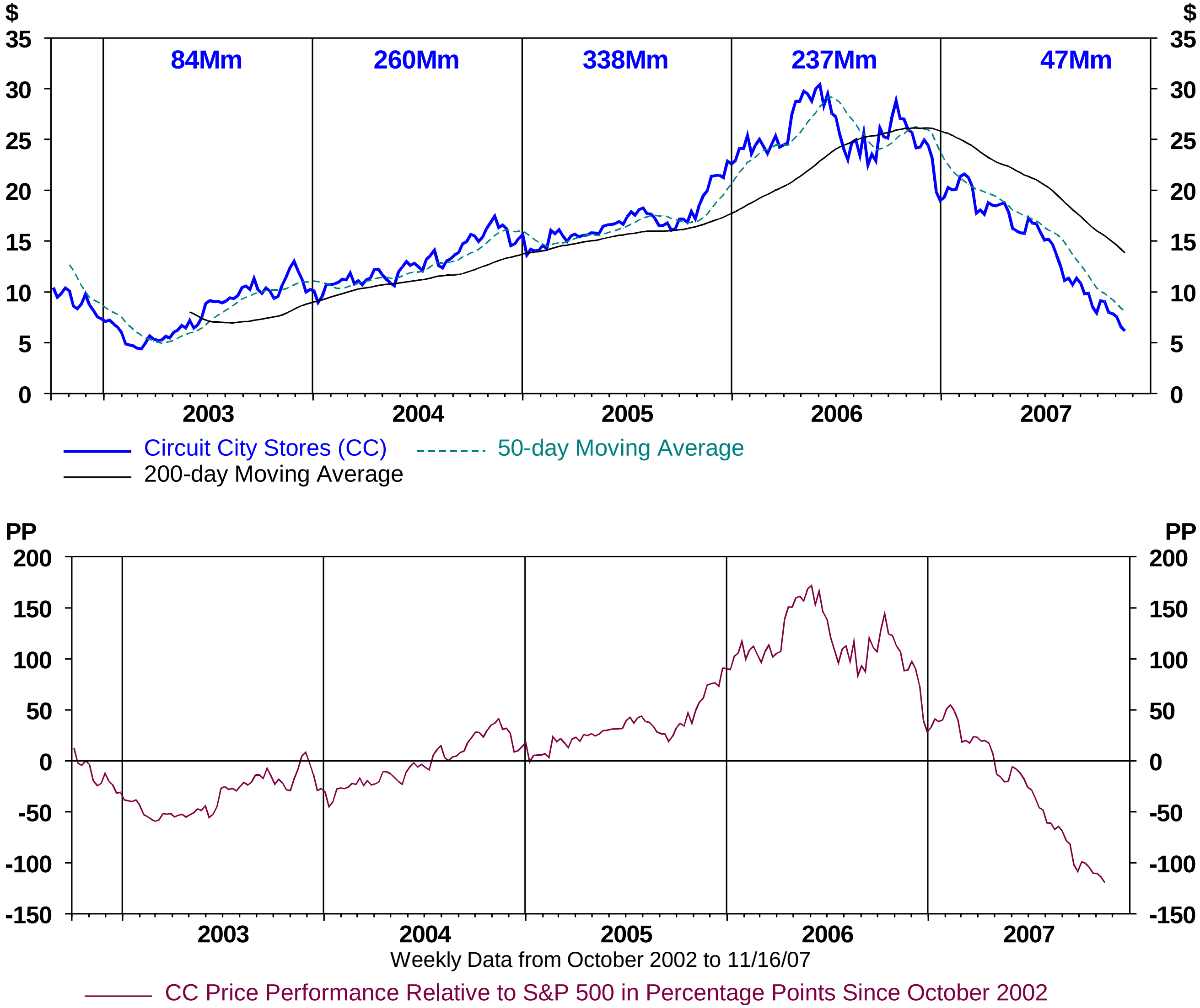
Lennar Corporation





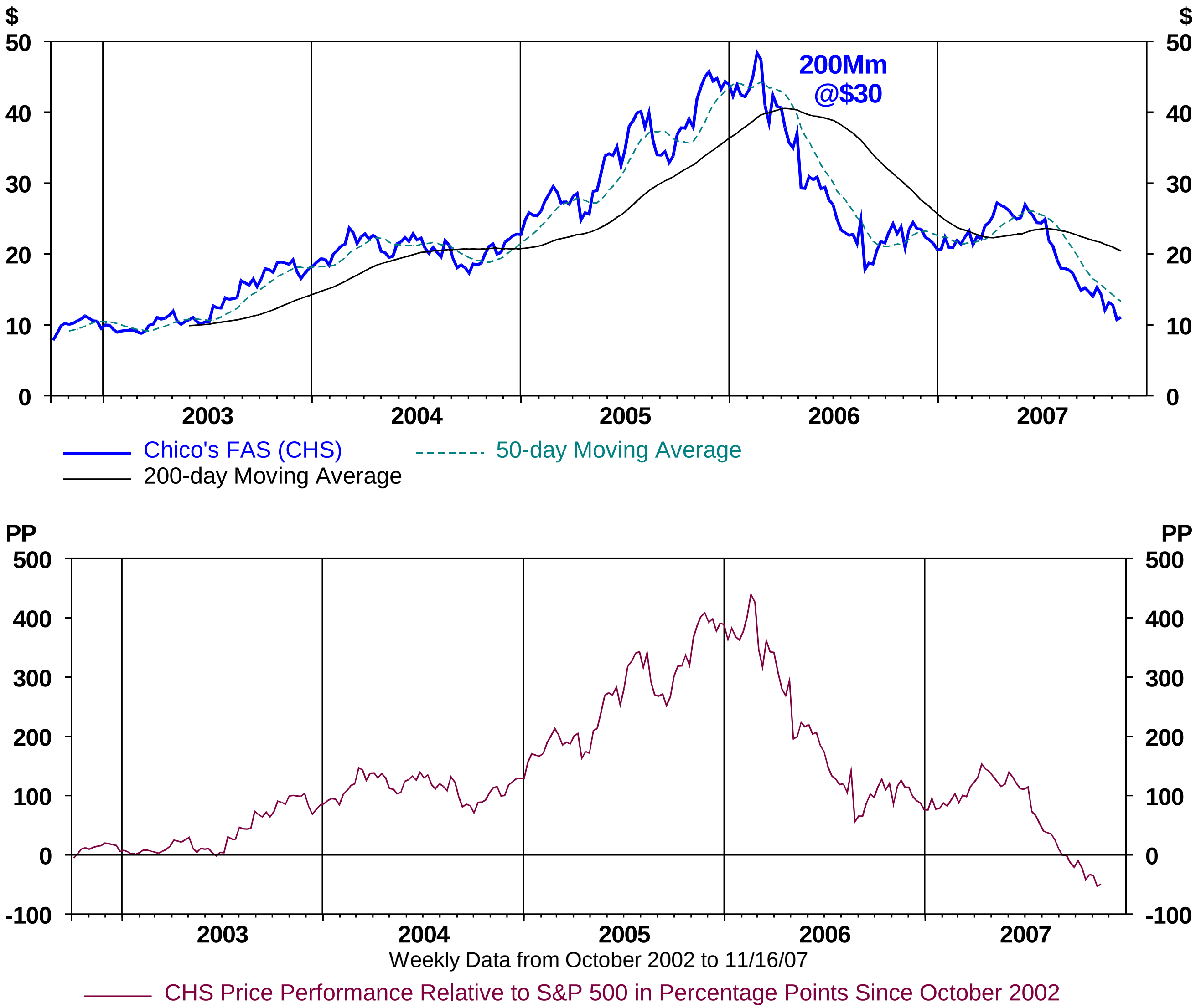
Source: FactSet, and Omega Advisors, Inc.

Circuit City Stores



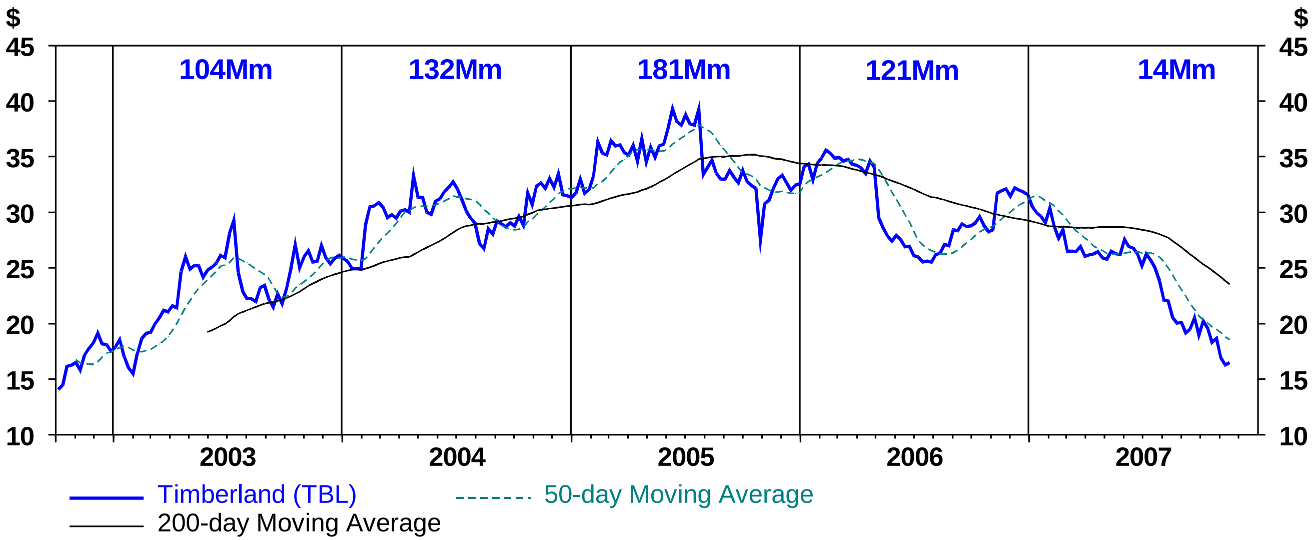
Source: FactSet, and Omega Advisors, Inc.

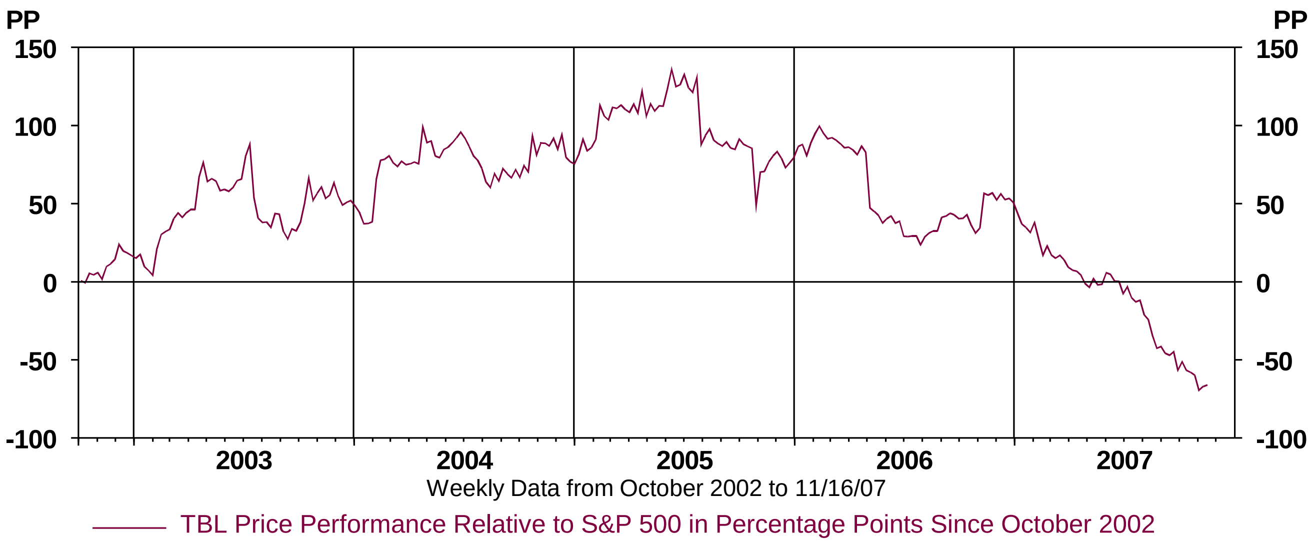
Chico's FAS



Source: FactSet, and Omega Advisors, Inc.

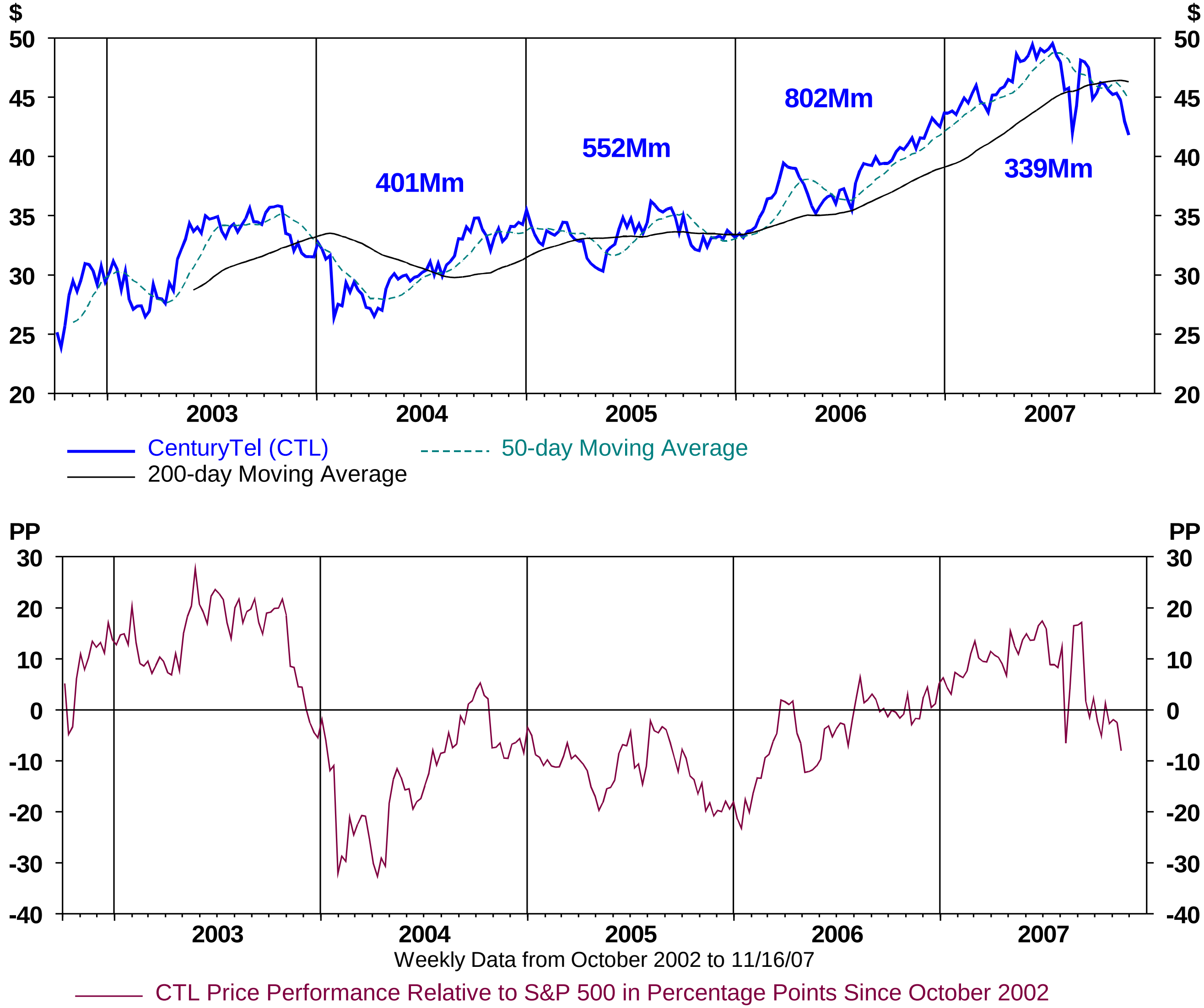
The Timberland Company





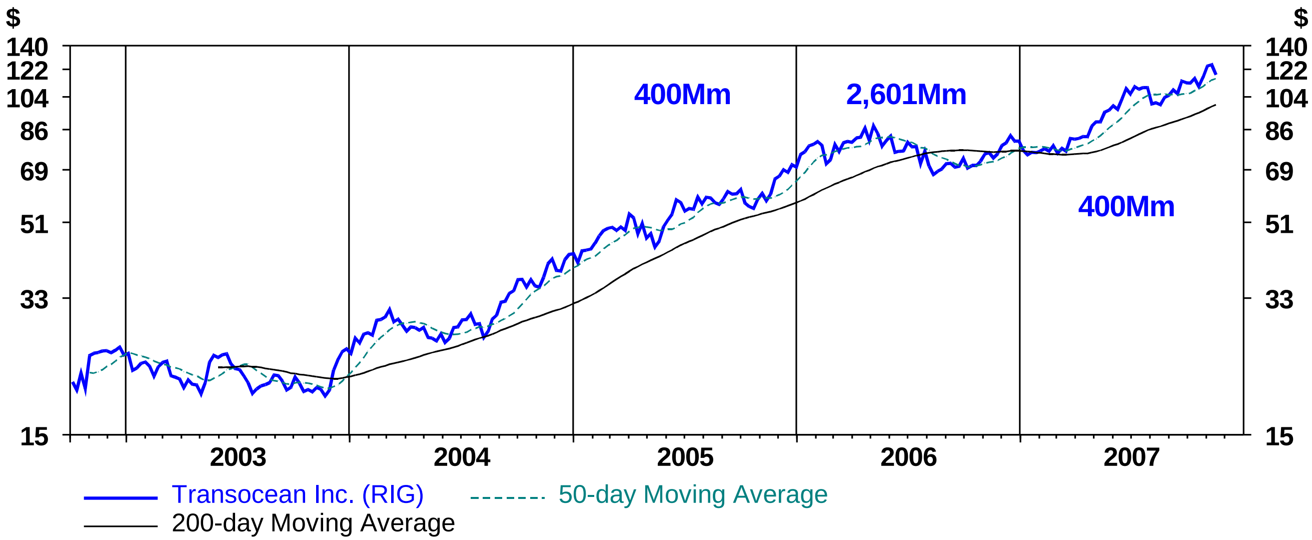
Source: FactSet, and Omega Advisors, Inc.

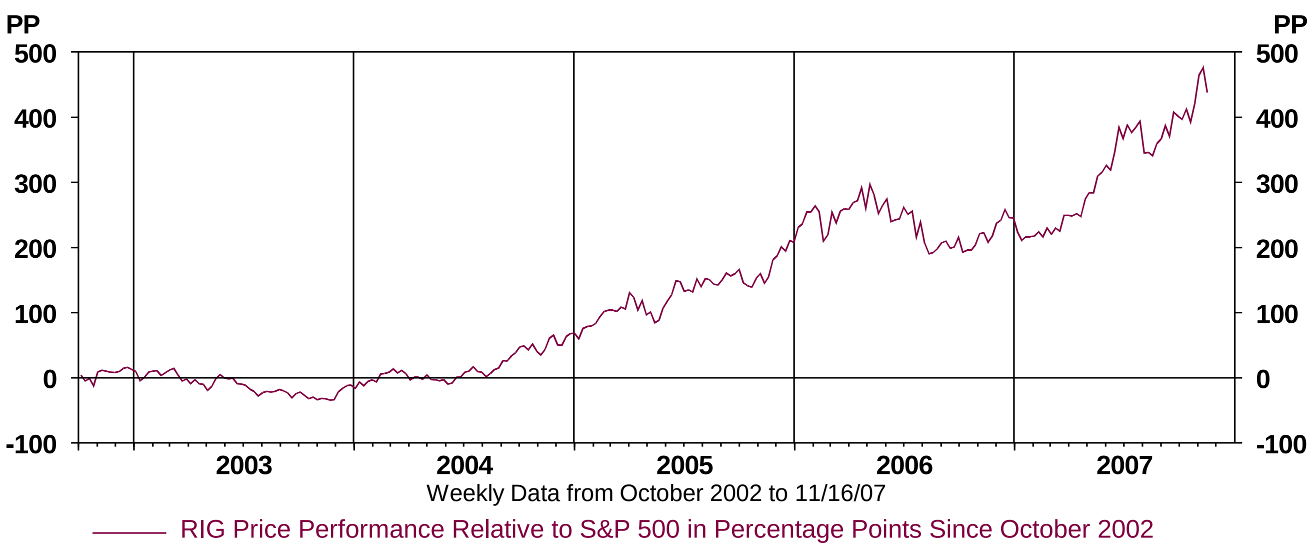
CenturyTel, Inc.



Source: FactSet, and Omega Advisors, Inc.

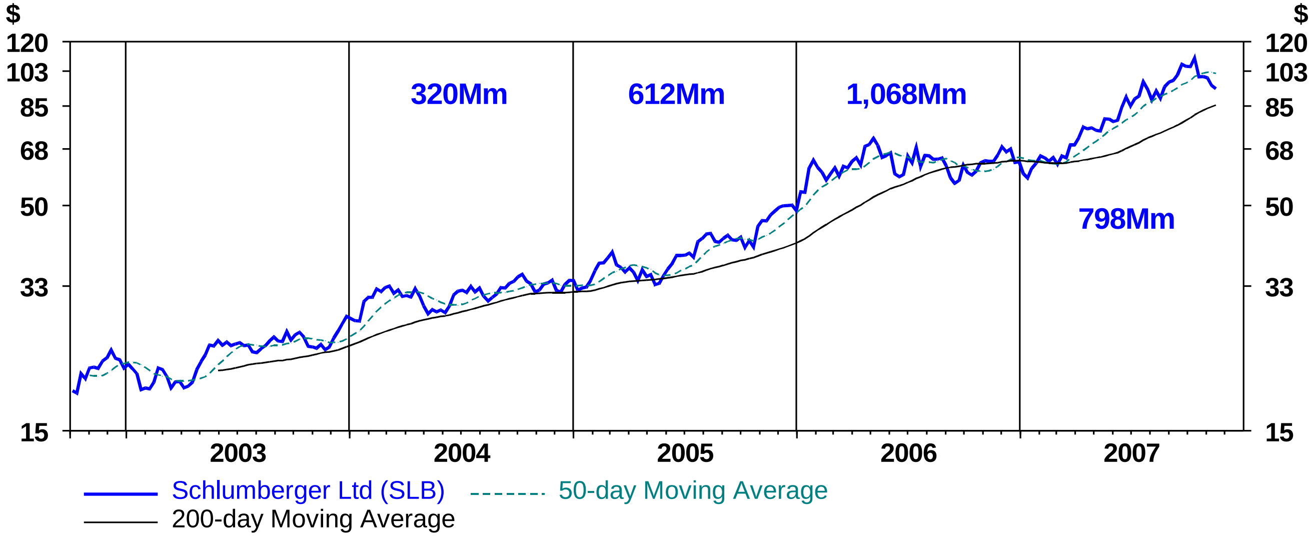
Transocean Inc.

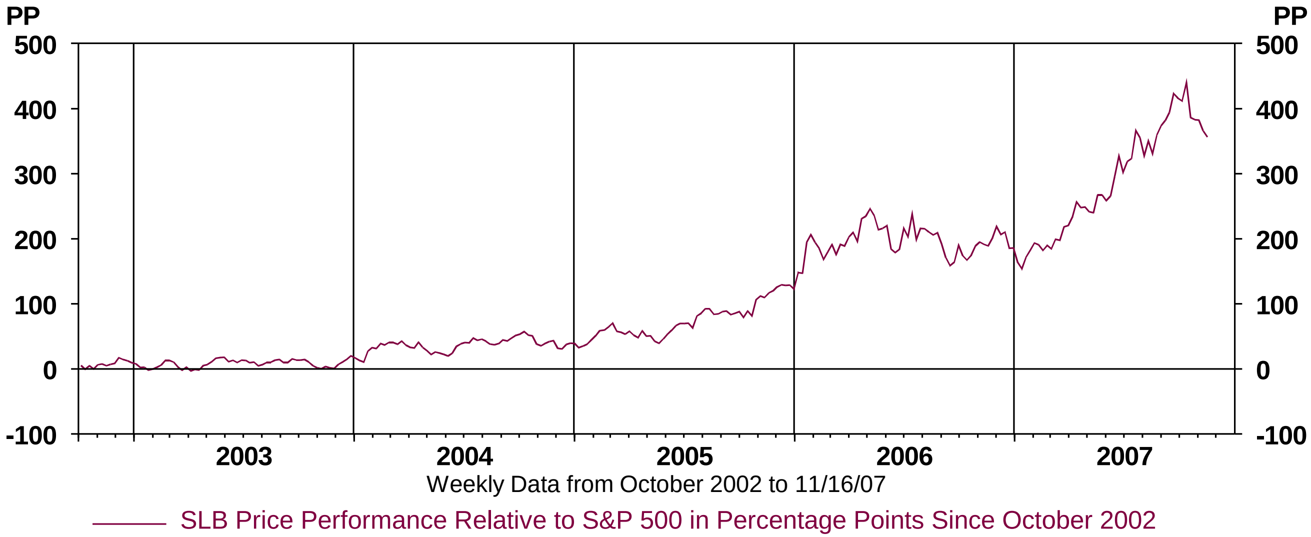




Source: FactSet, and Omega Advisors, Inc.

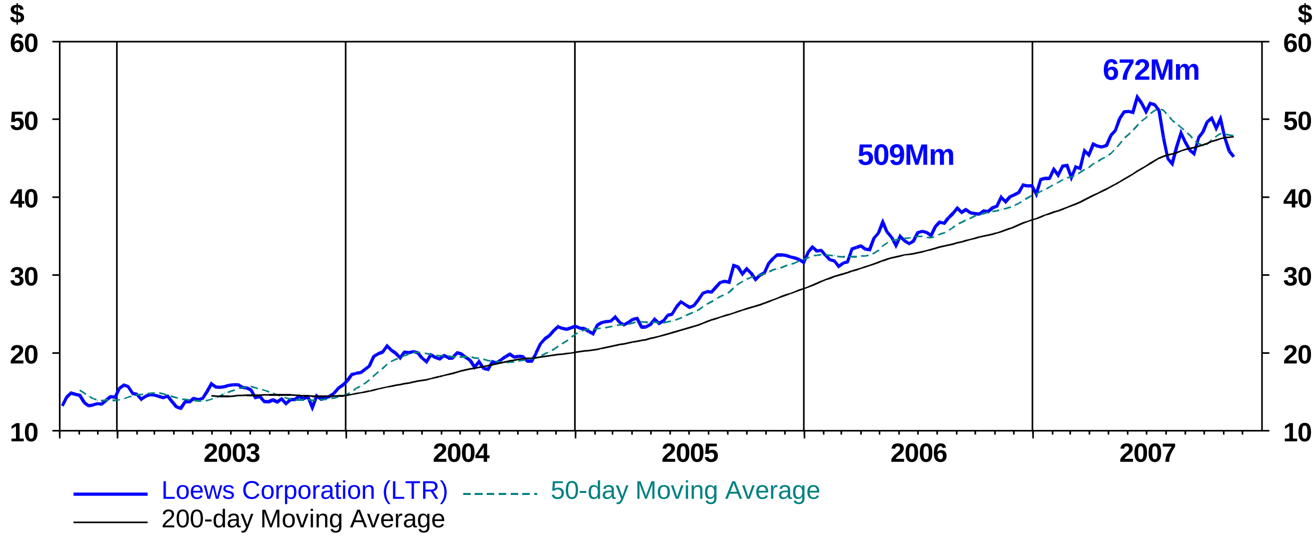
Schlumberger Limited

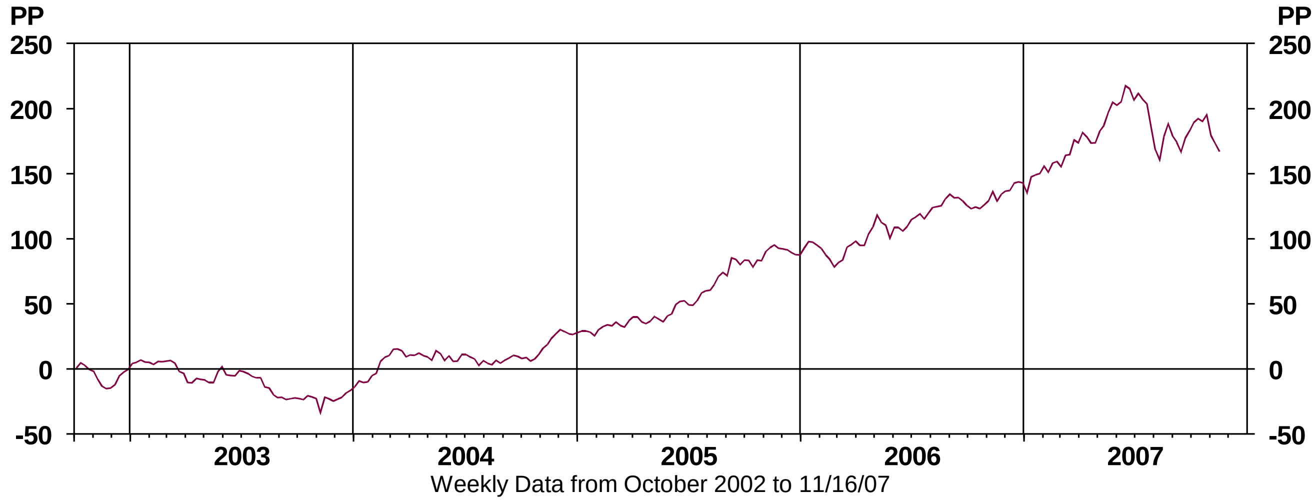




Source: FactSet, and Omega Advisors, Inc.

Loews Corporation



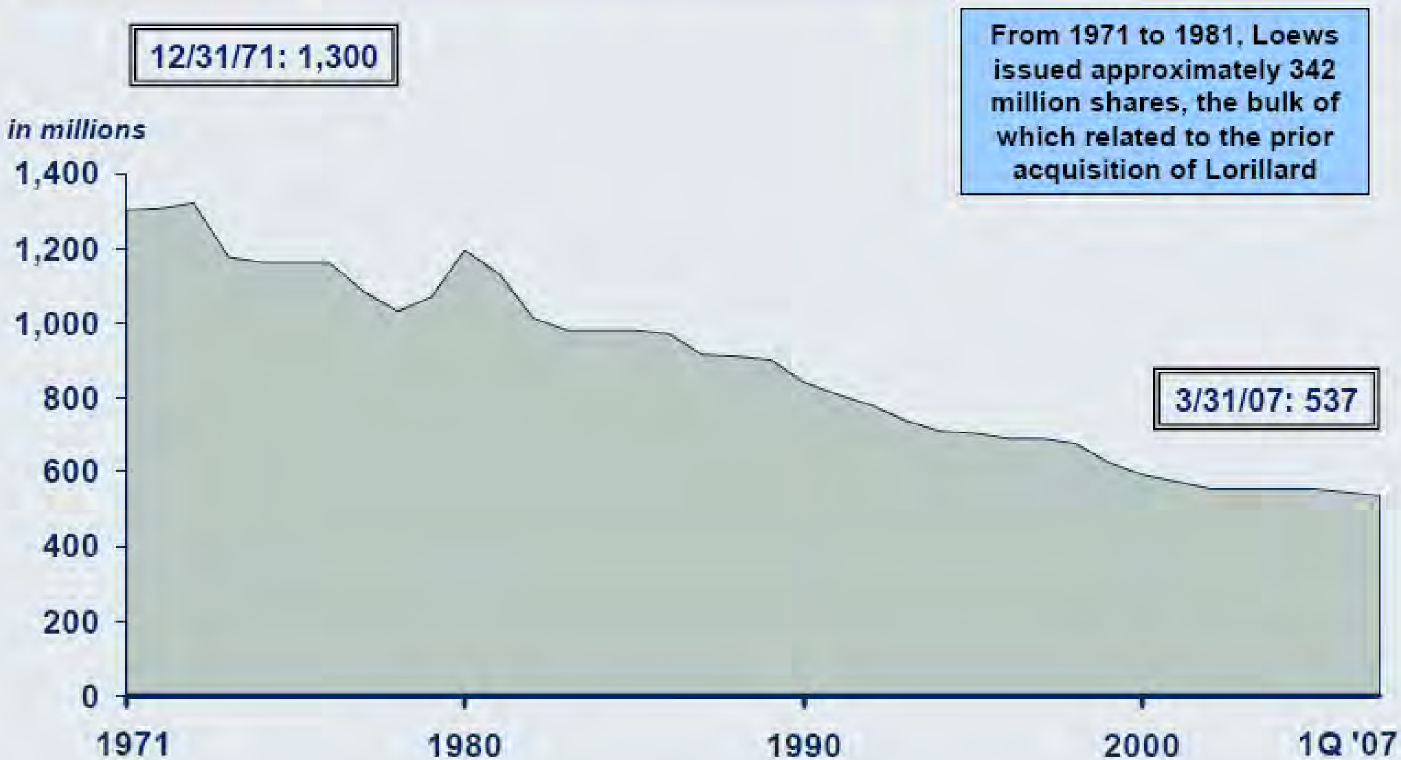


Source: FactSet, and Omega Advisors, Inc.

Levers to Create Shareholder Value

LOEWS CORPORATION

Share Repurchases



Levers to Create Shareholder Value

LOEWS CORPORATION

Share Repurchases by Decade

(in millions except for per share figures and adjusted for all stock splits)

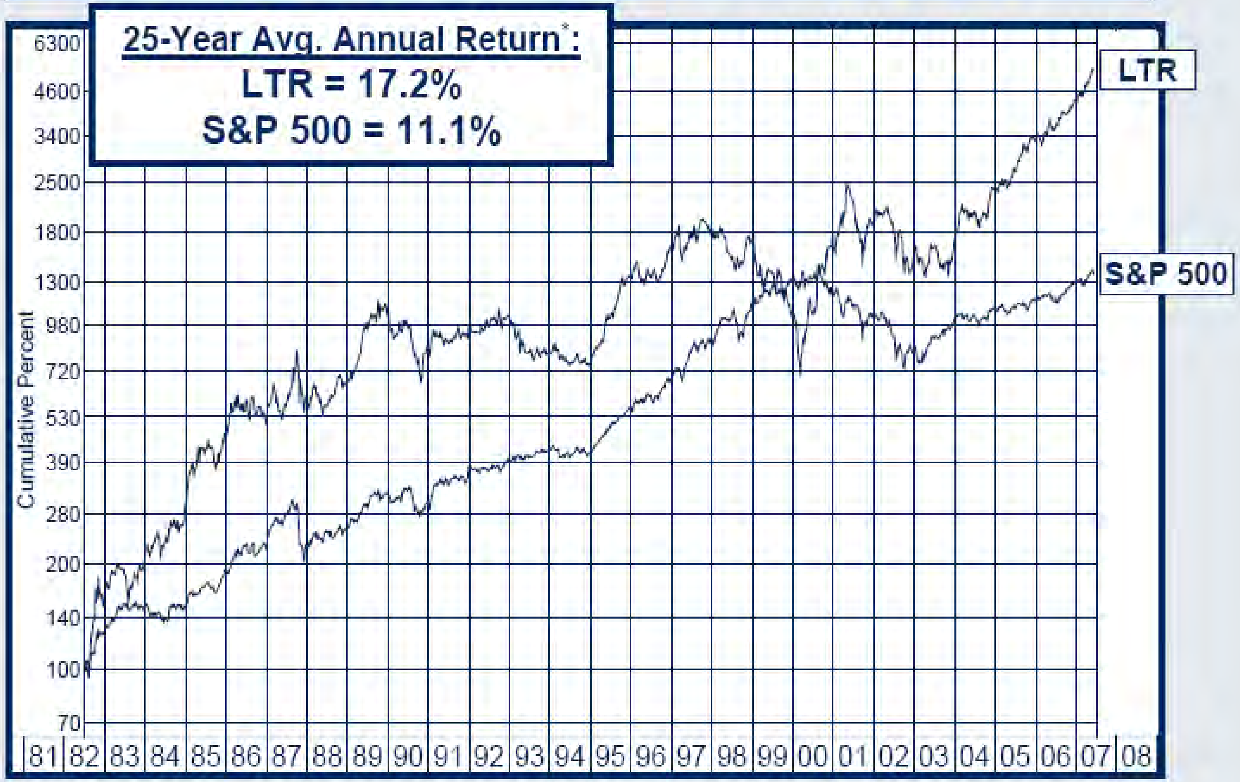
	Shares Repurchased	Total Cost	Average Cost/Share	% of Beginning Shares
1970s	344	$144	$0.42	26.5%
1980s	396	824	2.08	37.0%
1990s	274	2,569	9.38	30.4%
2000s *	92	1,755	19.12	14.6%
Total	1,106	$5,292	$4.78	

* Through March 31, 2007

Loews Corporation – A Holding Company

LOEWS CORPORATION

Structure Has Withstood the Test of Time



* 6/8/1982 to 6/8/2007

Exhibit 37

Considerations for Determining Whether Stock Repurchase Makes Sense

1. Are we buying back stock at a discount to private market or merger market value?

2. Do we have a growing business that will be worth more over time—e.g. what does our five year budget produce in the way of a present value of the income flow? Are we at a sufficient discount to that derived value—e.g. 15-20%?

3. What does the buyback add to our cash flow and earnings per share?

4. Since we live in an uncertain world, our advocacy is not to buy back so much stock as to radically change the risk profile of the corporation.