

Eli Lilly Exchange Details

February 22, 2019

Eli Lilly, Elanco Exchange Offer

Elanco was the Animal Health division that was spun-off from Eli Lilly (LLY) in September 2018 through an Initial Public Offering (IPO). Post-IPO, LLY still retained a 80.2% stake in Elanco, a position which they are now trying to fully exit. To avoid substantially moving the stock price of Elanco and with time constraints with selling shares in the secondary market, the exchange offer that is proposed is much more efficient.

To entice shareholders to tender their LLY shares for Elanco shares, LLY is offering Elanco shares at a 7% discount to shareholders. For every \$100 of LLY shares owned, investors would receive \$107.53 worth of Elanco. This exchange offer is subject to an upper limit of 4.5262 shares of Elanco for every 1 share of LLY. Additionally, this exchange offer may not go through if LLY is unable to tender at least 146.67M shares of Elanco (they currently own 293.29M shares).

Liberty One will continue to retain our position in LLY rather than in Elanco. We are encouraged by LLY's decision to divest its Animal Health business to focus on its higher-margin human medicines and prospects on developing medicines for high unmet medical needs. Additionally, Elanco does not currently pay a dividend which fails one of the screening criteria in our dividend focused portfolios. In summary, we will not be tendering any shares for your portfolio(s).

You do not need to take any action at this time.

If you have any questions about this offer or any changes in your Liberty One portfolio(s), or would like to learn more, please contact your financial advisor.

Thank you for your continued trust and confidence!

Liberty One



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