

ACQUISITION BY ELECTRO RENT CORPORATION OF TEST EQUIPMENT ASSET MANAGEMENT LIMITED

Directions issued pursuant to paragraph 10 of the Interim Order made by the Competition and Markets Authority pursuant to section 81 of the Enterprise Act 2002 (the Act) on 7 November 2017

On 31 January 2017 Electro Rent Corporation acquired Test Equipment Asset Management Limited (together know as 'the Parties') (the Merger).

On 1 February 2017 the CMA made an Interim Enforcement Order ('IEO') for the purpose of preventing pre-emptive action.

On 27 February 2017 granted a derogation exempting certain of the Parties' subsidiaries from the IEO (the 'February derogation'). The February derogation continues to apply.

The Competition and Markets Authority (CMA) on 19 October 2017 referred the Merger for a phase 2 investigation pursuant to section 22 of the Act (the Reference).

On 7 November 2017 the CMA made an Interim Order in accordance with section 81 of the Act for the purpose of ensuring that no action is taken pending determination of the Reference which might prejudice the Reference or impede the taking of any action by the CMA under Part 3 of the Act which may be justified by the CMA's decisions on the Reference.

The Reference has not been finally determined in accordance with section 79 of the Act.

The CMA now issues written directions under paragraph 10 of the Interim Order that, for the purposes of securing compliance with the Interim Order, that Electro Rent Corporation must appoint a monitoring trustee in accordance with the terms provided for in the Annex and shall comply with the obligations set out in the Annex.

Signed

Simon Polito
Group Chairman
7 November 2017

Annex

Directions to appoint a monitoring trustee

Interpretation

In these Directions:

- (a) 'the Act' means the Enterprise Act 2002;
- (b) 'CMA' means the Competition and Markets Authority;
- (c) 'the February Derogation' means the derogation made by the CMA on 27 February 2017 from the Phase 1 Interim Order;
- (d) 'Directions' means the directions issued under paragraph 10 of the Interim Order;
- (e) 'Interim Order' means the interim order made by the CMA on 7 November 2017;
- (f) 'Electro Rent' means Electro Rent Corporation;
- (g) 'Electro Rent Corporation' means a company incorporated in California (State file CO502262) and all its subsidiaries, including Electro Rent Europe.
- (h) 'the Electro Rent Corporation business' means the business of Electro Rent Corporation and its subsidiaries (including Electro Rent Europe) but excluding those subsidiaries the subject of the February Derogation and excluding the Microlease business;
- (i) 'Electro Rent Europe' means Electro Rent Europe NV, a company registered in Belgium, (registration number 0480.078.140 and UK company number FC032673) and all its subsidiaries, including Electro Rent Europe UK Branch (Registration number BRO 17750);.
- (j) 'its UK branch' means Electro Rent Europe UK Branch (Registration number BRO 17750);
- (k) 'Phase 1 Interim Enforcement Order' means the Interim Order made by the CMA commencing on 1 February 2017;
- (l) 'MT' means the monitoring trustee appointed in accordance with the Directions;
- (m) 'Microlease' means Test Equipment Asset Maintenance Limited and its subsidiaries excluding those exempted from the Phase 1 Interim Order by the derogation.

(n) 'the Microlease business' means the business carried on by Test Equipment Asset Maintenance Limited and its subsidiaries excluding those exempted from the Phase 1 Interim Order by the February Derogation.

(o) 'working day' means any day of the week other than a Saturday, Sunday or any other day that is a public holiday in England.

Terms and expressions defined in the Interim Order have the same meaning in these Directions, unless the context requires otherwise.

Appointment

1. Electro Rent must appoint an MT in order to:
 - (a) support the CMA taking any remedial action which may be required to maintain the Electro Rent business and the Microlease business as viable businesses; and
 - (b) monitor compliance by Electro Rent and Microlease with the Interim Order.
2. The MT must act on behalf of the CMA and be under an obligation to the CMA to carry out his or her functions to the best of his or her abilities.
3. Electro Rent and Microlease must cooperate fully with the MT, in particular as set out below, and Electro Rent and Microlease must ensure that the terms and conditions of appointment of the MT reflect and give effect to the functions and obligations of the MT and the obligations of Electro Rent and Microlease as set out in these Directions.

General

4. The MT must possess appropriate qualifications and experience to carry out his or her functions.
5. The MT must neither have nor become exposed to a conflict of interest that impairs the MT's objectivity and independence in discharging his or her duties under these Directions, unless it can be resolved in a manner and within a timeframe acceptable to the CMA.
6. Electro Rent shall remunerate and reimburse the MT for all reasonable costs properly incurred in accordance with the terms and conditions of the appointment and in such a way so as not to impede the MT's independence or ability to effectively and properly carry out his or her functions.
7. Electro Rent must appoint the MT as soon as is reasonably practicable and in any event by **14 November 2017** and the MT will continue to act either until the

CMA has finally determined the reference (within the meaning of section 79 of the Act) or directs that the MT is no longer required.

8. The appointment of a MT by Electro Rent is subject to the approval of the CMA as to the identity of the MT and the terms and conditions of appointment in their entirety and;
 - (a) the name of the proposed MT must be notified to the CMA as soon as is reasonably practicable and in any event by **10 November 2017** along with draft terms and conditions of appointment; and
 - (b) once the MT has been approved by the CMA and appointed, Electro Rent must provide the CMA with a copy of the agreed terms and conditions of appointment.

Functions

9. The functions of the MT will be to:
 - (a) ascertain the current level of compliance by Electro Rent and Microlease with the Phase 1 Interim Order and the Interim Order;
 - (b) assess the arrangements made by Electro Rent and Microlease for compliance with the Interim Order and what changes to those arrangements, if any, are necessary to preserve the possibility of the CMA taking any remedial action, if required;
 - (c) identify and supervise if necessary the arrangements made by Electro Rent and Microlease for ensuring compliance with the Interim Order;
 - (d) monitor compliance by Electro Rent and Microlease with the Interim Order; and
 - (e) without prejudice to the right of Electro Rent and Microlease to contact the CMA, respond to any questions which Electro Rent and Microlease may have in relation to compliance with the Interim Order, in consultation with the CMA.
10. The MT must take such steps as he or she reasonably considers necessary in order to carry out his or her functions effectively, including the monitoring of communications within and between the Electro Rent business and Microlease business, such as written and electronic communications, telephone conversations and meetings as may be required.
11. The MT must comply with any requests made by the CMA for the purpose of ensuring the full and effective compliance by Electro Rent and Microlease with the Interim Order.

Obligations of Electro Rent and Microlease

12. Electro Rent and Microlease and their employees, officers, directors, advisers and consultants must cooperate fully with the MT, in particular by providing the MT with all cooperation, assistance and information as the MT may reasonably require in order to discharge his or her functions, including but not limited to:
- (a) the provision of full and complete access to all personnel, books, records, documents, facilities and information of the Electro Rent business, the Microlease business as the MT may reasonably require; and
 - (b) the provision of such office and supporting facilities as the MT may reasonably require.
13. If Electro Rent and Microlease is in any doubt as to whether any action or communication would infringe the Interim Order, it is required to contact the MT for clarification.
14. If Electro Rent and Microlease has any reason to suspect that the Interim Order may have been breached, it must notify the MT and the CMA immediately.

Reporting functions

15. The MT is required to provide an initial report to the CMA no later than **1 December 2017** giving details of any arrangements which have been, or should be, put in place to ensure compliance with the Interim Order, and including among other things:
- (a) details of the current extent of compliance with the Phase 1 Interim Order and the Interim Order;
 - (b) a description of the current arrangements made for the operation of the Microlease business and for the preservation of the assets required to operate the Microlease business; and
 - (c) recommendations as to what changes to those arrangements, if any, are necessary.
16. In addition to providing the initial report referred to in paragraph 15 above, the MT must provide (or otherwise as required by the CMA) a statement to the CMA stating whether or not, in his or her view, Electro Rent and has complied with the Phase 1 Interim Order and the Interim Order. At the same time, the MT must provide the CMA with a report setting out the following:

- (a) the basis for the MT's view that the Phase 1 Interim Order and the Interim Order have or have not, as the case may be, been complied with and in particular whether:
- (i) anything has caused him or her to be concerned as to whether Electro Rent and Microlease has complied with the Phase 1 Interim Order and the Interim Order, and if it has, whether those concerns have been resolved and why;
 - (ii) he or she has any remaining doubts or uncertainties as to whether Electro Rent and Microlease has complied with the Phase 1 Interim Order and the Interim Order; and
 - (iii) anything that causes him or her to be concerned about a possible future breach of the Interim Order (whether deliberate or inadvertent);
- (b) details of the performance of the Microlease businesses, including any factors that might indicate asset deterioration;
- (c) whether appropriate steps are being taken to maintain the Microlease and Electro Rent business in particular in the UK as a going concern;
- (d) the extent to which Electro Rent and Microlease has cooperated with the MT in his or her task of monitoring its compliance with the Interim Order and details of any aspects of the cooperation of Electro Rent and Microlease that he or she considers could be improved;
- (e) the extent to which the MT considers that he or she is in an appropriate position to monitor the compliance of Electro Rent and Microlease with the Interim Order and if there is anything that the MT considers would assist him or her in monitoring compliance;
- (f) any current or anticipated requests for consent to vary the Interim Order; and
- (g) the information he or she used to compile the report.

17. When providing reports to the CMA the MT must ensure that he or she does not disclose any information or documents to the CMA which Electro Rent and Microlease would be entitled to withhold from the CMA on the grounds of legal privilege.

18. The MT must immediately notify the CMA in writing if he or she forms a reasonable suspicion that the Interim Order have been breached, or if he or she considers that he or she is no longer in a position to effectively carry out his or her functions. In that situation, the MT must give reasons for this view; including

any supporting evidence available (unless doing so would infringe the obligations referred to in paragraph 17 above).

19. All communications between the MT and the CMA (including the statements and reports referred to in paragraphs 15 and 16) are confidential and should not be disclosed to Electro Rent and Microlease, save with the prior written consent of the CMA. The MT shall not disclose such communications to third parties.