

ADAMS AFFILIATES, INC.

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The Honorable Mickey Edwards
 U. S. House of Representatives
 2434 Rayburn House Office Building
 Washington, D. C. 20515

Dear Mr. Edwards:

I disagree on your stance with respect to punitive legislation related to greenmail.

The marketplace determines the value of a corporation. If a company is worth more broken apart, then it should be broken apart.

The real issue and potential problem lies with irresponsible financing of these greenmailers by banks, insurance companies, and other financial institutions whose repayments are based upon whether or not the greenmailers analysis of breakup values are correct. The national track records of banks and insurance companies in their energy and real estate lending practices indicate that they will probably underestimate risk in leveraged buyouts, etc., and be wrong again. These institutions have been bailed out by the FDIC or raised their insurance premiums with the consequence that the general economy has borne the burden of their competitive lusts and irresponsible judgements.

In today's financial markets, investment banking firms are becoming so large and powerful as a result of entering traditional banking type of businesses, that they are able to finance huge transactions. Initially they were doing these financings for others, Ivan Boesky, Boone Pickens, Carl Icahn, etc. Now they are doing them for their own account. Their intent is short term speculative profits and they place leverage in the businesses acquired to such a degree that it will take several years at the expense of reinvestment in research, capital assets, etc. for the target companies to regain their financial strength. A tremendous amount of wealth and power is being concentrated in this manner.

The more appropriate legislation should be armed squarely at the financial markets to prohibit these irresponsible transactions from ever being financed. The provisions of the Glass Stegall Act should be strengthened, rather than eliminated, to insure that lenders and investors are distinguished so that investment bankers cannot erode the

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banking industry by intruding into traditional banking functions. Cash management accounts provide the average citizen checking accounts where interest is paid on funds deposited. Investment banking firms use these funds to provide financing for a number of investments, including greenmail, without having reserve requirements. They draw deposits from banks while at the same time introduce competition by financing riskier investments. Investment bankers need to be restricted so that they are limited to investment banking practices. Banks need to be restricted to the banking business, and insurance companies and pension funds should return to the "prudent" rule with respect to their investment practice.

I disagree with greenmail. I am against short term speculative profiteering at the expense of long term reinvestment in support of business development. However, I urge you to direct your efforts at the real source of the problem which are the financial institutions supporting this activity.

Very truly yours,



Robert S. Boswell
President

RSB:ew