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The Honorable George Bush
President of United States
The White House
Washington, DC 20500

Dear President Bush:

I enjoyed meeting with you again at Harlon Crow's house last week. It had been 12 years since we met at the University of Illinois. Since then, I have become a partner with Coopers & Lybrand. I am writing to follow up on the issue we briefly discussed which is critical to the competitiveness of American business.

My Firm, Coopers & Lybrand, has 16,000 partners and employees, in 98 offices throughout the United States. The inequities in our current system of securities litigation and joint and several liability jeopardize not only the economic viability of our Firm and these employees but also other professional organizations, public and private entities and the entire U.S. economy. The threat arises from meritless SEC 10b-5 lawsuits, the prohibitive costs of litigation and the impact these costs have on our economy at large.

In a judicial system where one party has nothing to lose and everything to gain, the door is open for legal extortion; hence, our present situation. Lawsuits are filed not on the basis of merit or probable negligence but rather with the intent of taking advantage of the system and reaping significant monetary rewards to which there is no basis for entitlement. Evidence is the rise in SEC 10b-5 suits targeted at public companies whose only wrongdoing may be a purely natural fluctuation in stock prices. Coupled with this epidemic is the inequity of joint and several liability where 100% of legal costs are borne by the defendant regardless of the degree of liability. Consequently, any entity presented with a lawsuit of this nature must choose between the lesser of two evils: expending hundreds of thousands, even millions of dollars in defense fees or cost containment through settlements. Unfortunately, justice is no longer a decisive factor; it is a luxury in the face of fiscal responsibility. Since most organizations feel they cannot afford justice, they are coerced into settlements based on economics rather than on culpability.

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Additionally, because an entity has a finite amount of expendable income, this judicial travesty has far reaching economic implications. Resources absorbed by litigation are not available for capital investment, research and development, job creation and myriad other growth opportunities. Consequently, costs associated with litigation and liability premiums are eventually borne by the populous at large. This phenomenon has become so prevalent that the media has actually been compelled to give it a name--'the tort tax'--which, simply stated, is the increased cost of goods and services caused by runaway litigation. Undeniably, the tort tax, and particularly its origin, further decreases our competitive edge while simultaneously making foreign investment more attractive.

Obviously reforms are in order. We are seeking the restoration of balance and equity in proportionate liability; however, our intent is not to discourage investors with valid claims from filing suit. Recently, Senators Domenici and Sanford introduced S. 3181, and Representatives Billy Tauzin, Norm Lent, Ralph Hall and Don Ritter introduced H.R. 5828, "The Securities Private Enforcement Reform Act of 1992", which encompasses proportionate liability and the elimination of abusive litigation practices thereby freeing capital resources to invest in ways that make our economy more competitive. Equally important, by relieving the courts of baseless suits, the bill will also help investors with legitimate claims recover losses.

I am urging you and the Vice President's Commission on Competitiveness to support this important legislation. I would welcome a response regarding your position on this very important and necessary legislation. Finally, I wish you much success in the upcoming election.

Sincerely,



Greg J. Peterson
Partner

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