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*Advis.  
Committee  
correspond  
copy to  
David*

July 1, 1983

CHAIRMAN'S OFFICE  
RECEIVED

Mr. John S. R. Shad, Chairman  
Securities and Exchange Commission  
500 North Capitol Street, N.W.  
Washington, D. C.

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SEC. & EXCH. COMM.

Dear John:

We had an excellent group at yesterday's seminar on corporate takeovers at the John F. Kennedy School of Government.

In my opinion, there is no way that this complicated matter can be solved by Federal legislation without disrupting the whole free enterprise system.

I did make what I feel are constructive suggestions during the seminar, so thought you would be interested in taking a look at them in the enclosed copy of a letter to Professor Knowlton.

Sincerely yours,

*104*

RL:y

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July 1, 1983

Professor Winthrop Knowlton  
John F. Kennedy School of Government  
79 Kennedy Street  
Cambridge, Mass. 02138

Dear Win:

I am sorry that Bob and I could not stay until the end of your interesting seminar on corporate takeovers.

This is an impossible situation to control by legislation. In my opinion, it would be a disaster if Congress passed legislation that attempted to control the free market and the free enterprise system in connection with acquisitions and mergers. I do, however, recommend the following ideas primarily to protect the target company's stockholders.

- (1) All potential acquisitions, friendly or unfriendly, should remain open for at least thirty days so as to permit, in the event of an unfriendly offer, time to negotiate a higher price.
- (2) In all cases where 51% of the shares are to be purchased for cash, require that the same offer be made to all shareholders in order to prevent pro rating of the cash offer, to prevent relatively unattractive security offers for the balance of the shares.
- (3) Require, in the case of golden parachutes and all other defensive measures, that management and directors of companies obtain stockholders' approval in detail for all transactions of that sort at a time when the company is not under the pressure of an unfriendly tender offer.

Since all three of the above suggestions can be handled in the future by SEC regulations, the only Federal legislation that I suggest would be a law

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eliminating State control over these matters and requiring that the SEC in the future shall determine the fairness of offers by holding hearings on any offers when requested to do so either by stockholders or management of the company.

Again many thanks for including me in your seminar.

Sincerely yours,

*RLG*

RL:y

copy:  
James E. Robison  
Robert P. Straetz  
John S. R. Shad —  
Harry Gray