

[BY COURIER] ✓

Vorys, Sater, Seymour and Pease

Arthur I. Vorys
1856-1933
Lowry F. Sater
1867-1935
Augustus T. Seymour
1873-1926
Edward L. Pease
1873-1924

Suite 1111
1828 L Street NW
Washington, D.C. 20036

Telephone (202) 822-8200
Telecopier (202) 835-0699
Telex 440693

In Columbus
52 East Gay Street
Post Office Box 1008
Columbus, Ohio 43216

Telephone (614) 464-6400
Telecopier (614) 464-6350
Ripifax (614) 464-6453
Telex 241348
Cable VORYS-ATER

July 18, 1984

In Cleveland
2100 East Ohio Building
1717 East Ninth Street
Cleveland, Ohio 44114
Telephone (216) 621-7091
Telecopier (216) 621-8366

Hon. Donald T. Regan
Secretary of the Treasury
Department of the Treasury
Washington, D. C. 20220

Re: Tender Offers

Dear Mr. Secretary:

This letter is written in furtherance of your concerns with respect to the SEC-proposed legislation and the position of SEC Chairman Shad concerning tender offers and controlled share acquisitions. Your concerns are well founded.

It is unconscionable that the massive Federal preemption of tender offers which is contemplated by the SEC advisory committee report and recommendations and Chairman Shad's proposed legislation, introduced by request by Congressman Wirth, could occur during a Reagan Administration committed to the preservation of historic State roles and to the defense of the corporate communities. Despite rhetoric to the contrary, the SEC proposals would bring all the regulatory authority over tender offers and controlled share acquisitions into the SEC, and in the absence of failures to make adequate disclosures, such authority would be a green light for any and all hostile takeovers. Additionally, the Shad position fails to recognize that there is a difference between the brokerage houses interests and the corporate communities interests, for on this issue they are not synonymous.

The only way an auction process really works in the tender offers area is for there to be adequate time for a second offer to be made and adequate disclosure for a second or subsequent offer to be contemplated and made. The severe time restraints which Shad would place on this regulatory process would preclude a second offer, and the lack of a second offer means that the first bidder could offer a substantially lower premium. Instead of a target company going to the highest bidder, as the Chicago School economics which he is asserting would require, it will go hereafter to the first bidder whose offer will be a low one.

I understand that the Securities and Exchange Commission is an independent agency, but I also understand that this issue is of profound consequence to the Reagan Administration. Greater power concentrated in Washington is not something to have talked about on the front page in an election year. The disparity between the rhetoric and the reality would be perceptible to most.

Secretary Reagan - Page 2

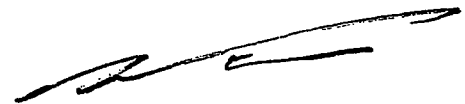
The enclosed analysis of the pending legislation in the House, legislation strongly supported by the SEC, shows just how severe the problems are in that legislation.

The issue will not be over with the defeat of, or the failure to pass, that legislation, but Chairman Shad has made it very clear that he intends to press his agenda forward through existing rulemaking authority, and his most recent staff reorganization shows just how much effort he intends to put behind this preemption. Several proposed rules have already been the subject of formal Notices of Rulemaking.

The National Association of Attorneys General, the National Association of Secretaries of State, and others have passed resolutions against the Shad preemptions. The National Governors Association and the National Conference of State Legislators have resolutions pending to do the same.

If we can be of any further assistance on this matter, please let us know.

Respectfully,



Randal C. Teague

RCT:ms
Enc.