

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

May 16, 1988

Dear Colleague:

The Senate will soon consider S. 1323, the Tender Offer Disclosure and Fairness Act.

This bipartisan bill was reported from the Senate Banking Committee by a vote of 14 to 6. It is designed to slow the pace of manipulative corporate takeovers -- those that are motivated by the short term speculative profits realized from putting a company into play rather than the long term profits from actually acquiring a company and running it better than the incumbent management.

The bill would accomplish these objectives by requiring more timely and complete disclosures on the part of corporate raiders and by allowing stockholders a longer period of time to evaluate competing takeover bids. Penalties against insider trading are also substantially increased.

Importantly, the bill leaves to the states the prerogative of corporate governance. Because of these provisions, this bill enjoys the strong support of the business community, as well as state and local governments.

Criticism of the takeover game is mounting. On May 13, NeoConservative Irving Kristol wrote, "Takeovers involving dismemberment create real human suffering for individuals whose jobs are eliminated or whose lifelong careers are wrecked, and for entire communities that experience abrupt, painful economic dislocation."

Americans want action. According to a Business Week/Harris poll last year, only 16 percent said hostile takeovers were good, while 45 percent said they were bad. A full 64 percent said the government should act to restrict them. A more recent poll by Penn & Schoen Associates, found 63 percent consider takeovers bad with 79 percent calling for legislation.

The principal threat to this legislation may come in the form of two amendments. One would pre-empt the right of the states to regulate the corporations they charter if those laws infringed in any way on the activities of corporate raiders. The second would accomplish the same objective in a more indirect manner by mandating a so-called "one-share/one-vote" standard for all companies issuing stock trading on a public securities market. While one-share/one-vote has a nice ring, the practical effect of the amendment would be to substantially

curtail the ability of the states to protect stockholders from manipulative corporate raids. Both amendments were soundly defeated in Committee and are strongly opposed by the business community and by state and local governments.

Your support for S. 1323 , including the protection of states' rights, is important.

Sincerely,

William Proxmire
Chairman

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