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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-6075

June 7, 1988

Dear Colleague:

We are writing to urge your support for a provision in S. 1323, the Tender Offer Disclosure and Fairness Act that protects employees and promotes employee ownership. This bill is slated for floor action soon.

Under the bill as approved by the Banking Committee, tender offers must remain open for most companies for 35 business days, a change from the present 20 business days. For those firms where employees control 10 percent or more of the common stock, the tender period must remain open 95 business days so as to allow for an employee counter-offer.

The purpose of this provision is two-fold. First, it recognizes that employees generally lack the expertise and organization to form a quick counter-bid. The employee buyout of Wierton Steel required 22 months of preparation. That firm, incidentally, has recorded its 16th consecutive quarter of profitability, reversing a decline that has plagued the balance of this industry. In another example, more than 16 weeks will have elapsed from the time of Black & Decker's bid for American Standard to the completion of the employee-buyout at the plumbing manufacturing firm. The clock ran out on workers at Eastern Airlines and TWA who were trying to put together counter offers.

Second, this lengthened tender period is designed to encourage employee ownership. Firms may well choose to institute an Employee Stock Ownership Plan as protection against the manipulative raider that strikes in a matter of days.

This provision may discourage bids, as critics will charge. Ninety-five business days does tie up a bidder's financing. But this is intended. It is intended to deter the quick kill artist who can't afford to wait this long. Those who have real acquisition proposals will not be deterred since their money will be "tied-up" for many years if their bids are successful.

We urge you to reject amendments that shorten this tender period, or otherwise dilute the force of this provision.

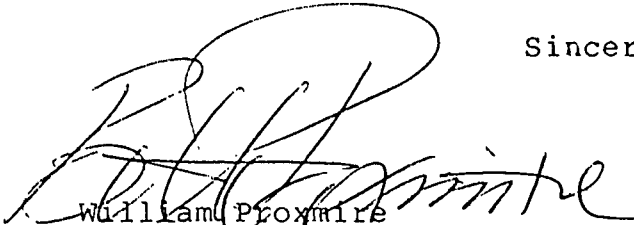
Employee ownership is a powerful economic tool that can be embraced by a wide political spectrum. As former senator Russell

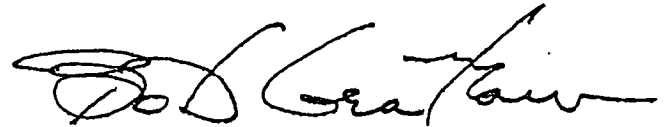
Long has said, it makes "every man a capitalist" and it "cuts the working man in on a piece of the action."

Studies show that firms with employee ownership are more productive and profitable than the average.

Your help in supporting this provision as adopted by the Committee is appreciated.

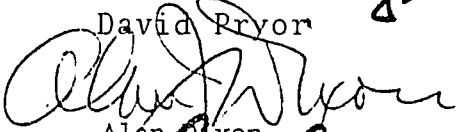
Sincerely,

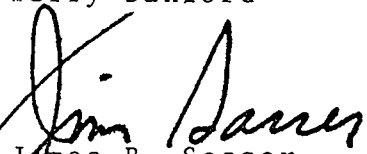

William Proxmire
Chairman

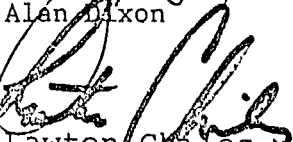

Bob Graham

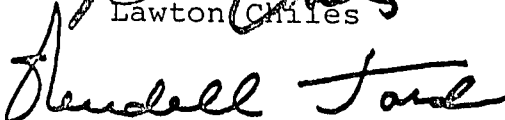

David Pryor

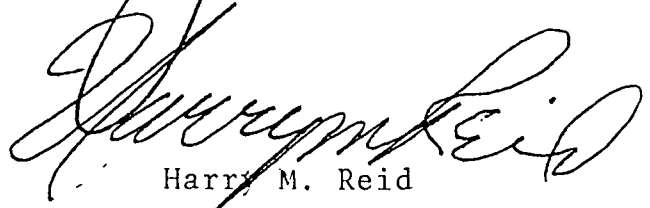

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