WACHTELL, LIPTON, ROSEN & KATZ

August 14, 1986

To Our Clients:

Shareholder Rights Plans After NL

The NL matter has been settled. Therefore the decision of the federal court in New York enjoining the NL Rights Plan is not being appealed.

As we have previously stated, we believe that the NL decision is wrong. We believe it is an erroneous interpretation of New Jersey corporate law and an erroneous view of the effect of Rights Plans. It is a decision by a federal trial court interpreting New Jersey law and is not binding on New Jersey courts or any other court.

On the day after the NL decision, the New Jersey Shareholders Protection Act became effective. This statute is similar to the New York statute adopted last December and is modeled on the Rights Plan. The enactment of this statute strengthens our opinion that the NL decision is an erroneous interpretation of New Jersey law.

We continue to believe that Rights Plans of the Household type (flip-over) and NL type (flip-over and flip-in for protection against self-dealing) are valid and legal and are highly desirable in this era of coercive, bust-up, junk-bond, boot-strap takeovers.

The assault on Rights Plans is continuing and the SEC has not abandoned its objections. In a July 31, 1986 release, the SEC has sought comments on whether it should take action to restrict the adoption of Rights Plans. There may well be occasional court decisions, like NL, and administrative actions questioning Rights Plans or aspects of them. This only demonstrates that Rights Plans in fact are a very effective counter to today's coercive takeover techniques. We continue to believe that the decisions of the Delaware Supreme Court in the Household and Revlon cases are the correct view as to Rights Plans and we continue to recommend the adoption of Rights Plans.

M. Lipton