

November 13, 1986

To Our Clients

Shareholder Referendum on Rights Plans

In most cases we are advising our clients who have received a request to include in the proxy statement for the annual meeting a precatory resolution seeking a shareholder referendum with respect to a share purchase rights plan to include the resolution. Each client will want to develop its own position and response to the resolution. Attached is a draft response that may be useful as a starting point by those clients who determine to oppose the resolution. We suggest that the matter receive the attention of the full Board with a presentation similar to the one made in connection with the adoption of the plan.

M. Lipton
J. H. Fogelson
S. A. Rosenblum

Attachment

11/13/86

DRAFT RESPONSE TO SHAREHOLDER
RESOLUTION REGARDING RIGHTS PLAN

Your Board of Directors recommends a vote AGAINST this proposal.

During the past few years, takeover activity has markedly increased as bidders have developed new and powerful techniques that make virtually any corporation a potential takeover target. Even though a bidder may be offering a premium over the current market price of the target company's stock, that premium does not necessarily recognize the inherent value of the target company. In some cases, bidders have engaged in abusive tactics, including making open market purchases of a substantial position in a company's stock, or even buying a controlling position, principally from professional investors who have acquired their positions with the objective of selling out at a quick profit. The bidder, of course, can be expected to act only in its own self-interest with little or no regard for the interests of the stockholders of the target company -- in other words, to try to acquire the company as cheaply as possible.

Our Rights Plan helps to level the playing field between the Company and such bidders. Without the Rights Plan, in the event of an attempted takeover of the Company, your Board might not have the time to take the most effective steps to maximize the value that can be achieved for your investment in the Company and to protect that investment. The Board has a fiduciary responsibility to undertake this task. The Delaware Supreme Court has held that adoption of a rights plan is a valid exercise of a board's business judgment in that the rights plan helps enable the board better to fulfill its fiduciary responsibilities in a takeover situation. The Board believes that the Rights Plan is a necessary tool to help the Board deal with takeover situations and to allow the Board to perform its traditional role of responding to, and negotiating with, a prospective acquiror on behalf of the Company and its diverse body of stockholders.

We do not believe that the Rights Plan should be subject to a stockholder referendum any more than any other decision within the Board's discretion is subject to a stockholder referendum. All decisions made by your Board of Directors must be made in good faith in what it believes to be your best interests and the best interests of all the other constituencies the Board represents. The Rights Plan does not prevent the making of an acquisition proposal or the acceptance of an acquisition proposal that the Board finds to be in the interests of stockholders. Indeed, experience shows that there have been acquisition offers made to many companies that have adopted rights plans as well as many situations in which the board of directors of a target company has determined to redeem its rights plan in connection with the acquisition of that company. This confirms our belief that the question of whether to redeem the Rights Plan should only be answered in the context of a specific acquisition proposal.

In determining whether to redeem our Rights Plan in the context of a specific proposal, your Board has an obligation to meet its fiduciary duties and exercise its business judgment. This was the standard recognized by the Delaware Supreme Court in the Household decision which upheld the legality of the rights plan at issue in that case. You can rest assured that your Board will represent your interests when and if such a decision is to be made.

Your Board recognizes that some investors may have differing viewpoints regarding the issues raised by recent developments in the takeover area. We believe, however, that it is important not to prejudge takeover situations. Consistent with its legal obligations, the Board must have the ability to protect the interests of all the Company's stockholders and to respond meaningfully when and if such a situation arises.

For these reasons, the Board recommends that stockholders vote AGAINST the resolution.