

February 13, 1987

To Our Clients:

Institutional Investors and the
Corporate Community

With the advent of the Council of Institutional Investors, Boone Picken's United Shareholders of America and the sponsorship by the College Retirement Equity Fund and the California Public Pension Funds of shareholder proxy resolutions attacking poison pills, it has become clear that institutional investors are supporting corporate raiders for the purpose of continuing the junk-bond bust-up takeover frenzy.

Recently the chairmen of GTE and Rockwell wrote to the chairmen of other companies asking support in the form of instructions to pension fund managers to vote in favor of charter amendments designed to protect against abusive takeover tactics. (Copies of their letters are attached.) Both companies were successful in obtaining the votes they sought. I believe that it is time that all companies make their views known to their pension fund managers, banks, insurance companies and other institutions. If the corporate community makes its views known in a strong and decisive manner, support for corporate raiders and abusive takeover tactics will be reduced dramatically and legislation to abolish abusive takeover tactics could be a reality.

In addition, Warren Buffett has suggested that to protect against greenmail and to force institutions to take a long-term rather than a short-term investment view, a 100% tax be imposed on the profit on a stock position that an institution or a corporate raider has not held for more than one year. This suggestion would be more meaningful if the holding period were five years rather than one year. I believe that the corporate community should support this suggestion. If institutions are the long-term investors they claim they are, they should not object to this tax.

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