

May 10, 1988

To Our Clients

Poison Pills

The Delaware Chancery Court yesterday refused to enjoin the Staley Continental pill at the request of raider, Tate & Lyle. Staley adopted a pill with a 20% flip-over threshold and a 40% status flip-in prior to becoming a target. After it became a target it amended the pill to reduce the flip-in threshold to 20%. The court assumed without discussion that the original pill and the amendment were valid -- thus adding another favorable flip-in precedent. The court also held that using a pill to facilitate a search for a white knight is appropriate.

M. Lipton