

July 7, 1988

To Our Clients:

Poison Pills - The Status Flip-In

In the Irving Bank case, decided yesterday, a New York trial court judge granted a preliminary injunction against a standard 20% status flip-in provision of a poison pill. The court said that it is probable that the New York corporation statute would be interpreted as prohibiting discrimination against a shareholder and therefore a preliminary injunction was warranted. The decision is not a definitive interpretation of New York law, we believe it is wrong and we will continue to recommend pills with flip-ins to New York corporations. The decision does not mention and is squarely contrary to the leading appellate court decision on the legality of flip-ins, the Seventh Circuit Court of Appeals decision in the CTS case.

M. Lipton