

November 4, 1989

To Our Clients:

TAKEOVERS

The Georgia Pacific raid on Great Northern Nekoosa and the Coniston Partners consent solicitation to gain control of UAL show that takeovers are not dead. Despite the turmoil in the junk bond market and the failure of Citibank to syndicate the pilots' buyout of UAL, there is still ample funding available for takeovers. More important, institutional investors continue to encourage raiders. Despite their protestations against the charge that they sell out good management that has good long-term prospects, institutional investors continue to do so and continue to discourage the long-term investments that are essential for American business to remain competitive in the world market.

While it is still too soon to assess the full impact of the collapse of the junk bond market, it appears that the inability of the corporate raiders to obtain financing may encourage strategic buyers to become raiders. Also it may create a window period for negotiated mergers, including common stock mergers.

This is not a time for companies to relax their guard against takeovers. We continue to recommend fire drills and vigilance.

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