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To Our Clients:

Teamsters Union Proposes Alternative to Rights Plan

The Teamsters Union, which in recent years has proposed shareholder resolutions attacking the poison pill, is now proposing an alternative to the pill called "blooming preferred." The Teamsters argue that the "blooming preferred" empowers longer-term shareholders (as opposed to arbitrageurs) to make decisions regarding changes in control.

The Teamsters' alternative to the pill involves the issuance of one share of preferred stock for each outstanding share of common stock, with the preferred stock trading together with the common but only "blooming" with rights after the preferred stock has been held for two years. The "blooming preferred" stock would have no liquidation preference, no dividends and no mandatory redemption feature but would permit all holders who have held the preferred stock for at least two years to vote together as a class to elect an unspecified percentage of directors and to approve the sale of the company, mergers and other unspecified significant corporate transactions. The Teamsters' proposal also would require that all candidates for election to the board of directors provide shareholders with a written statement of their approach to increasing long-term shareholder value, addressing at least the following issues: investment in research and development, new technology and fixed assets; relationships with communities, customers, suppliers and employees; environmental stewardship; and creating a "skilled, motivated and empowered work force."

In our view, the Teamsters' proposal is unworkable and would likely be held illegal under many state corporation statutes. The proposal would result in a structure that would deprive certain shareholders of the right to make decisions on the future of the company based solely upon whether they had owned their shares for more or less than two years. Unlike dual-

class common stock capitalization structures where original holders may be given rights that cannot be transferred to third parties, the Teamsters' proposal would disenfranchise many shareholders and impair the liquidity of a company's common equity. In addition, while at first blush it may appear attractive to disenfranchise arbitrageurs, upon reflection that would not accomplish very much in today's environment of institutional ownership. Moreover, certain negotiated transactions may be jeopardized by disenfranchising shareholders who have held their shares for less than two years -- especially for companies that have high turnover in their shares.

The object of the poison pill is to deter abusive takeover tactics by making them prohibitively expensive to a raider and to encourage prospective acquirors to negotiate with a board of directors rather than attempt a hostile takeover. The Teamsters' proposal meets neither of these objectives and in our view is not an acceptable alternative to a rights plan.

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